

SPAIN BEATS BULGARIA, 6-1, BUT EXITS

WORLD CUP
1998

Herald Tribune

INTERNATIONAL

TODAY
Fujimaki's Show Page 10
STAGE

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Clinton Begins Flight to a Showpiece Summit

Tiananmen Square Casts Shadow on Visit

By John F. Harris and John Pomfret
Washington Post Service

Over the next nine days, President Bill Clinton will meet with Chinese peasants in a village where the per capita income is \$400 a year, hold a "roundtable discussion" with young entrepreneurs prospering in Shanghai and witness the historic transition under way in Hong Kong a year after British rule ended.

But the most enduring image of his trip is likely to come from another of its scripted moments: when he stands at attention before People's Liberation Army troops at a welcoming ceremony Saturday morning beside a place that has become a synonym for state-sponsored brutality: Tiananmen Square.

The journey that Mr. Clinton began from Washington on Wednesday afternoon promises to be the most closely scrutinized overseas journey so far of his presidency.

The first state visit by an American leader to China this decade is coming at a time when Mr. Clinton's policies aimed at "engagement" with Beijing and the motives behind them are under hostile scrutiny in Congress and by human rights groups.

U.S. and Chinese officials say they expect few if any major breakthroughs by the time President Clinton, Hillary Rodham Clinton and their daughter, Chelsea, depart for home on July 3.

Deals that the administration had been pursuing ardently for months — including agreements to have China formally join a missile anti-proliferation pact and gain membership in the World Trade Organization — have not materialized.

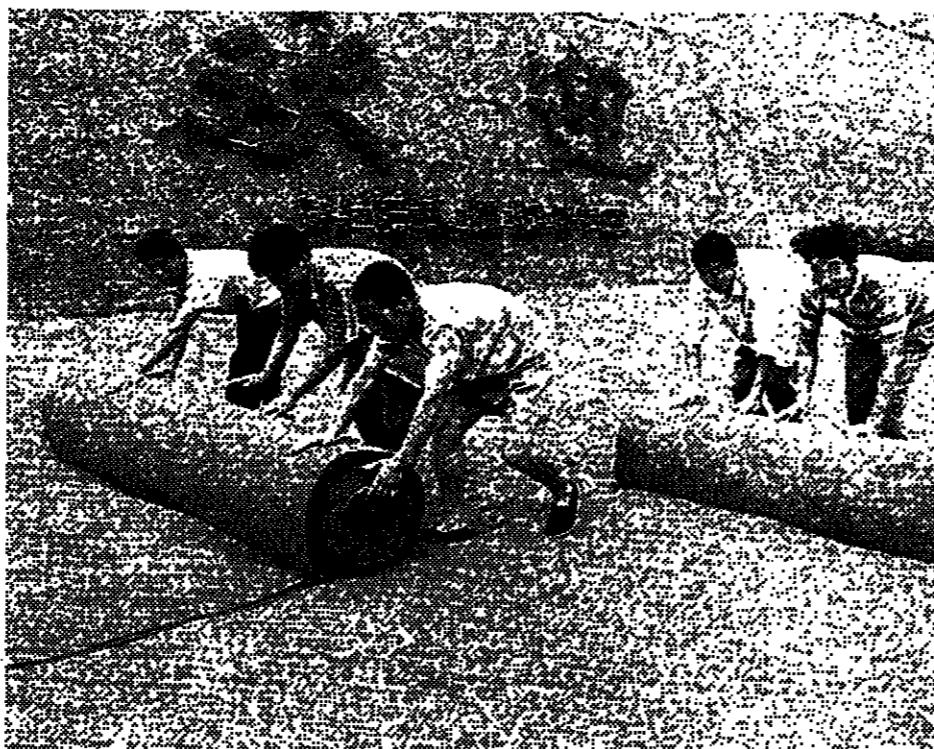
Mr. Clinton and his aides have publicly defined their goals for the summit in less tangible terms. The mission, they said, is about changing perceptions, both in the United States and in China, about the purpose and value of forging closer relations between the world's most powerful nation and its most populous one.

President Clinton is facing criticism for having approved a Chinese satellite launch that was sought by a major Democratic Party contributor despite Justice Department warnings that the approval might compromise a criminal investigation into a suspected national security breach.

There is another Justice Department probe into whether the Chinese may have tried to buy U.S. influence by making illegal and surreptitious campaign contributions.

Human rights activists, noting China's repression of political dissidents and religious worship and such abuses as forced abortions to control population growth, have accused Mr. Clinton of putting commerce before principle in his effort to craft what he calls a "strategic partnership" with Beijing.

See CLINTON, Page 10



Workers in Xian rolling out — what else? — red carpets on Wednesday at the south gate of the old walled city there in preparation for President Clinton's visit.

A Plea to China on Violence

Renounce '89 Crackdown, Ousted Party Leader Urges

By Steven Mufson
Washington Post Service

BEIJING — Zhao Ziyang, the former Communist Party leader, who was ousted on the eve of the June 1989 crackdown on pro-democracy demonstrators, has written a letter asking the present Communist Party leaders to admit that the military and police violence against student-led protesters was a serious mistake.

With President Bill Clinton due to arrive in China on Thursday night for a nine-day visit, the Reuters news agency obtained a copy of Mr. Zhao's letter.

The letter stated that the June 4, 1989, killing of hundreds of civilian protesters was "one of the biggest human rights problems this century."

Mr. Clinton, the first American president to

Clinton's Trip to China Has Both Nations Buzzing

• A cast of a thousand tags along. Page 2.
• Chinese revere Nixon, who opened the door. Page 10.
• Asia's economic problems have America stymied. Page 10.

visit China since the Communist leaders ordered troops to open fire on the demonstrators, is under attack from many members of Congress and human rights groups in the United States for agreeing to attend an official welcoming ceremony next to Tiananmen Square, which has come to symbolize the demonstrations.

"President Clinton's visit to China marks a turn for the better in Sino-U.S. relations," wrote Mr. Zhao, who had once been general secretary of the Communist Party and who now lives under loose house arrest in Beijing.

"But the United States and the whole of the West have again and again raised the June 4 problem and the human rights problem of China," he added.

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• President gives an interview to three journalists barred from going with him to Beijing. Page 10.
• Talks fail to resolve impasse over opera company's trip to New York. Page 22.

Beijing's Main Goal: To Gain Respect

By Erik Eckholm
New York Times Service

BEIJING — China would love for President Bill Clinton to come here and announce that Taiwan will get no more U.S. weapons, that China's application to join the World Trade Organization is near approval and that the economic and military sanctions the United States imposed after the 1989 crackdown on student demonstrators will be lifted.

In truth, as leaders here already know, during the state visit beginning Thursday, China will get few if any of the policy changes it wants.

And yet, China's leaders and people are ecstatic about the visit, the first by an American president in nine years and one that is already being hailed as a great step forward in diplomatic relations.

This summit meeting means so much to China for both symbolic and practical reasons.

Symbolic, because the Chinese clearly feel that by his presence Mr. Clinton, leader of the world's number one economic and political power, will confer new status on China as a major international player.

Practical, because China's leaders are convinced that friendly ties with the United States are crucial to their ambitious goal of establishing a more market-oriented and prosperous economy.

What China seeks most right now is not so much the things that get discussed at meetings, such as trade or aid or rocket science or even a cave-in on Taiwan. It is, in a word, respect.

The Chinese wear their country's painful history on their sleeves and invariably bring it up in discussions of foreign policy. After centuries of humiliating invasions and treaties, after recent decades of terrible civil war and then the chaos of Mao's Cultural Revolution from 1966 to 1976, China feels it is finally on its feet. Its economy has surged, its leadership is stable and China is more than ready to take its rightful place.

"This visit means that China finally has been noticed by the world," said Xiong Zhiyong, dean of the Foreign Affairs College in Beijing. "The American administration is recognizing the importance of China."

The leaders here hope that the Clinton visit will mark, if not an end to world disapproval of the 1989 massacre of hundreds of students around Tiananmen Square, at least tacit agreement to push the lingering ghosts to the side.

For President Jiang Zemin personally, to stand again beside Mr. Clinton, following his touted tour of America last year, may cement his stature as a statesman able to take up where the late Deng Xiaoping left off.

At a more practical level, friendly ties with the United States — and along with that, a stable, peaceful environment in Asia, which Chinese-American cooperation can also foster — are seen as vital to China's domestic

See SUMMIT, Page 10

Deal to Acquire Cable-TV Giant Gives AT&T Broader Reach

\$48 Billion Purchase of TCI Opens Possibility for Company To Enter Local Phone Market

By Paul Farhi and Mike Mills
Washington Post Service

WASHINGTON — AT&T Corp. agreed Wednesday to acquire Tele-Communications Inc. in a \$48 billion stock and debt deal that would merge America's largest long-distance phone company and the second-largest cable-television concern.

The company, with estimated annual sales of \$60 billion, would be able to offer one-stop shopping to consumers for virtually all electronic services: long-distance and cellular-phone calls, cable-TV and high-speed Internet access. With TCI's wires serving some 14.4 million households, AT&T would have the ability eventually to provide local telephone connections.

TCI's A-shares closed \$1.0625 higher, at \$39.75 in New York, and AT&T fell \$5.125 to \$60.25.

An AT&T-TCI deal would revive a failed strategy of the early 1990s to combine phone and cable companies. Each industry has kept its distance from the other in recent years after the collapse of Bell Atlantic Corp.'s proposed \$26 billion acquisition of TCI in 1993. Visions of phone companies offering television service — and cable operators selling phone service — have failed to materialize.

AT&T is gambling, however, that this deal will be different. TCI is well on its way to upgrading its system for new digital services the company has said. For the first time, AT&T would have its own lines into millions of American homes through TCI's cables.

The Internet, which hardly existed in 1993, would be an important new service for AT&T to send over the lines.

The deal would be the latest in a chain of megamergers in the past year, fueled by a lifting of federal regulation under a new telecommunications law that has transformed the U.S. telecommunications industry. Most of the mergers, however, have been cases of similar companies' buying out direct competitors.

Under the deal announced Wednesday, AT&T will pay \$50.71 a share for TCI's widely traded Class A stock. AT&T also will assume \$11 billion in TCI debt and pay \$5.3 billion to buy back AT&T shares related to TCI's Teleport Communications Group and AT Home Corp.

A TCI source, speaking on the condition of anonymity Tuesday, said AT&T initiated the talks with the company and had made an attractive preliminary offer. This executive suggested the deal was "pro-competitive" because it would someday enable AT&T to use TCI's local cable wires to compete in the local telephone market against such emerging telecommunications combinations as SBC Communications Inc. and Ameritech Corp., WorldCom Inc. and MCI Communications Corp., and Bell Atlantic and Nynex Corp. "I don't think it was do-or-die for us," the TCI executive said. "It's

See DEAL, Page 6

'Pivotal' Time for Japan, U.S. Treasury Aide Says

By Brian Knowlton
International Herald Tribune

WASHINGTON — A key U.S. Treasury official, just back from an urgent trip to Japan, said Wednesday that it was crucial for Tokyo to move quickly to revitalize its economy and reform its ailing banking system, saying, "This is a pivotal moment for Asia and the global economy."

The official, Lawrence Summers, the deputy treasury secretary, told a Senate

subcommittee that the U.S. intervention in favor of the yen last week had provided "a window of opportunity for action" that Japan must now use.

It was of "overwhelming importance," he added, that the Japanese "rapidly take advantage of this window while it is open."

The dollar was up sharply against the yen, which had been firms by the rare U.S. intervention. It rose Wednesday to 141.275 yen in late trading, from 139.35 yen on Tuesday in New York.

Mr. Summers said after his Senate appearance that the United States was prepared to intervene again in support of the yen "when it is appropriate but not when it is inappropriate."

He had words of praise and caution for economic plans announced by President Boris Yeltsin of Russia, saying that the Russian leader had "articulated exactly the right kinds of measures" but that it was now crucial that they be carried out. Concerns about the Russian economy have compounded worries about the Asian crisis.

Mr. Summers met over the weekend in Tokyo with officials from industrialized nations and 10 Asian countries, and he said that Japanese authorities had offered welcome assurances.

But he added, "We remain very concerned about Japan's economic and financial situation."

That trip by Mr. Summers, the Treasury Department's top official on international matters, came on the heels of the U.S. intervention, the first of its kind by the Clinton administration, and a plunge in global markets June 15 that was touched off by concern about a spreading Asian crisis.

The central bank action, coupled with promises for action made by Prime Minister Ryutaro Hashimoto in a phone call to President Bill Clinton, had temporarily stopped the downward slide of the yen.

But Mr. Summers and a variety of private analysts have said that unless the Japanese words are quickly backed by



EAST TIMOR TALKS — Bishop Carlos Ximenes Belo and President B.J. Habibie meeting Wednesday in Jakarta. The bishop said Mr. Habibie pledged to withdraw some troops from the disputed region. Page 4.

AGENDA

IMF Aide Favors Loan Payment to Russia

An officer of the International Monetary Fund has said he will now recommend the payment to Russia of a \$670 million loan installment after the Yeltsin government announced a program of spending cuts and changes in tax policy.

Stanley Fischer, the IMF's first deputy managing director, also said he would consider a new IMF-led loan to

New Tests Conducted To Trace Iraqi Gas

UNITED NATIONS, New York (AP) — New tests to determine if Iraqi missiles had lethal VX nerve gas are under way in France and Switzerland, UN diplomats said Wednesday.

Earlier article, Page 7

bolster Russia's reserves. But he said the \$10 billion to \$15 billion requested by the Russian government was "very high," and any loan must include private lenders as well as the IMF.

Approval of a new loan would depend on the IMF's assessment of the government's program, which was introduced Tuesday in a bid to increase revenue. Page 13.

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Last Scramble for Votes in Ulster

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The IHT on-line www.iht.com

Whistles Heard Around the World

2 Contested World Cup Calls Dash Some Hopes and Spark Riots

Compiled by Our Staff From Dispatches

PARIS — The power of a referee's whistle could hardly be more profound.

Two controversial fouls — two cases of apparent incidental contact — in two games Tuesday at the World Cup led to street celebrations on different sides of the world, but left two losing coaches angry, bitter or perplexed.

Norway — not Morocco — is in the second round of the soccer tournament because of a penalty in the 89th minute that gave the Norwegians a stunning 2-1 victory over the defending champion, Brazil. It is the first time Norway has made it past the first round.

The game didn't matter to Brazil, which had already clinched first place in Group A, but Mario Zagallo, the Brazilian coach, couldn't help but raise the proverbial eyebrow to the decision by the American referee Esgandar Bahamast that Junior Baiano's bump with Tore Andre Flo, a Norwegian striker, as the two battled for position was worthy of the most decisive of punishments.

"I don't really know what happened there," said Zagallo, shrugging his shoulders. "I don't have a

problem with the referees, but FIFA does."

It was a problem for the Moroccans, who thought they had qualified with a 3-0 victory over Scotland — until they learned that Norway had staged its amazing comeback.

Morocco's players wept on the field. Coach Henri Michel kicked the bench, then hugged each of his players. And he hadn't even heard about the dubious penalty that did his team in.

"All of us, we and the players are extremely disappointed," Michel said. "I want to pay tribute to an excellent and an outstanding team, and I want to thank them from the bottom of my heart."

For truly bitter words, turn to Cameroon's Claude Le Roy, over a call that cost his team a probable winning goal and a second-round berth in a 1-1 draw with Chile.

"I can accept a lot of things, but I can't accept that," Le Roy said. "I'm sorry we were eliminated, especially on a decision that was an incompetent one."

See FOUL, Page 20



Midfielder Luis Enrique preparing to kick Spain's 2d goal Wednesday against Bulgaria's Zdravko Zdravkov. Spain won, 6-1. Page 20.

Nixon's Trip Was Modest / We're Moving the White House to China'

The Clinton Horde Descends on Beijing, Wired and Armored

By John M. Broder
New York Times Service

WASHINGTON — This is no ordinary circus. The horde accompanying President Bill Clinton to China on Wednesday numbers more than 1,000 people and includes a blue goose, a presidential seal, and a pair of road runners.

The presidential entourage and its paraphernalia fill four passenger planes and several large C-141 military transports. The White House is taking 60 tons of communications gear, as many as 10 armored limousines and enough bottled water so that the president and first lady will not have to open a tap to bathe in the luxurious Chinese guest houses and five-star hotels where they will be staying on their nine-day trip.

The swarm includes six members of Congress, five cabinet officers with their own retinues, a chief of staff and a deputy chief of staff, a national security adviser and a deputy national security adviser, a press secretary and a deputy press secretary. Five stenographers. Two two-member White House television crews. A valet for the president and a hairdresser for Mrs. Clinton. The president's private secretary and the White House staff secretary. Speech writers and rewriters, doctors and lawyers, 375 reporters and photographers. Snipers, commandos and bomb-sniffing dogs. And countless lords aleap-in.

"We're moving the White House to China," a senior White House advance agent said.

Well, almost.

"Rumors that he is bringing all his own furniture from the United States aren't true at all." Zhang Tieming, the public relations manager at the Diaoyutai State Guest House, where the Clintons will stay in Beijing, told Agence France-Presse.

But Mr. Clinton is bringing



President Clinton, Hillary and Chelsea Clinton

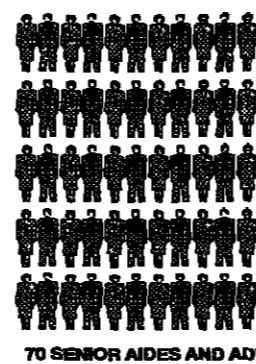
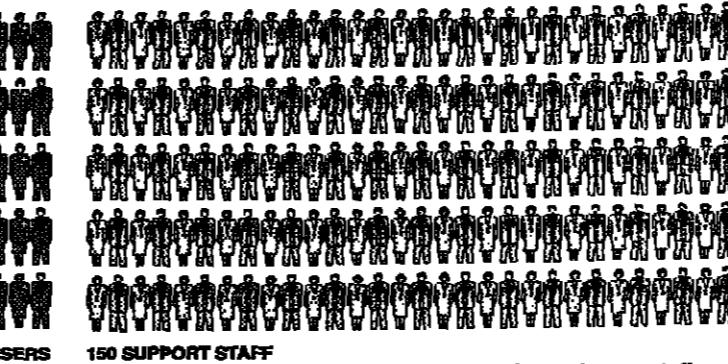
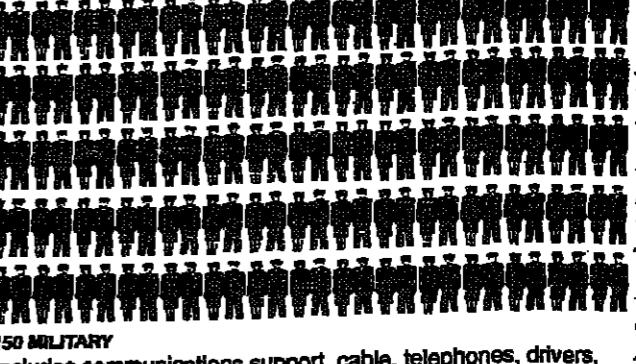


Secretaries: State; Commerce; Treasury; US Trade Representative

Six members of Congress

National security adviser, deputy; Chief of staff, deputy; Press Secretary, deputy

Political aides, economic advisers

Senior Delegation (30)
Core party includes president and cabinet officers. Official delegation made up of these 30 and the 70 senior aides and advisers.150 SECURITY PERSONNEL
Estimated 100-200 agents from the Secret Service and other departments.70 SENIOR AIDES AND ADVISORS
Senior staff from the White House and cabinet deputies.150 SUPPORT STAFF
Includes White House press office, travel office, advance staff, translators, secretaries, speechwriters, lower-level aides from all agencies.200 PRESS
An additional 175 reporters have been accredited, but will make their own way to China rather than travel with the official party.150 MILITARY
Includes communications support, cable, telephones, drivers, transportation, baggage.ARMORED LIMOUSINES FOR OFFICIAL DELEGATION
About 10 limousines will accompany the delegation. Security will also fly in several Chevrolet Suburban trucks and 350 cars will be rented on arrival. NYT

President Clinton will travel in China like a medieval king accompanied by his court. Above is an estimated breakdown of his retinue of over 1,000 people.

his bulletproof lectern, known as the blue goose, and the closely guarded carved presidential seal that adorns it. The White House is flying in at least two road runners, the sinister-looking black secure communications vans that accompany a presidential motorcade. And, as always, Mr. Clinton will be tailed by Kris Engsok, his personal aide and briefcase carrier.

All this for a summit meeting in Beijing and postcard visits to four other cities that even the White House says are expected to yield few concrete results. Chinese officials and U.S. diplomats in China are appalled and amused. A bewildered senior American in Beijing told a visitor that he was told to expect

1,200 people when Mr. Clinton arrives.

That may not be far off. White House advance people have rented 350 cars in Shanghai alone.

Even in comparison with China trips by previous presidents, the size of the royal court is astonishing.

When Richard Nixon made

his historic journey to Beijing in February 1972, he was accompa-

nied by 300 people. The of-

icial party numbered 34, and only 87 members of the press were allowed to cover the visit.

The White House and the American media wanted to send at least twice as many people, while the Chinese demanded a much smaller number. Weeks of bargaining resulted in 300 even-

tually making the trip.

By the time of Ronald Re-

agan's visit to Beijing, Xian and Shanghai in April 1984, the modest group, but the Chinese were shocked by the huge horde of people coming, both White House staff and the numbers of press we requested," said Win-

ton Lord, an aide at the time to Henry Kissinger and later am-

bassador to China.

The shock to the Chinese had

worn off a bit when Gerald Ford visited Beijing in December 1975. Records from the Ford library indicate that the contin-

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people, including 170 American journalists. The trip was less

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in those years, for most American news organizations, it was a rare opportunity to get into

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By the time of Ronald Re-

tary William Daley and Agriculture Secretary Dan Glickman.

Counting deputies, aides and support people, the official party numbers 100, Mr. Podesta said, and "another 500-600 will float in and out around this trip."

"We've never had a trip quite

this large," he said.

White House officials say it is impossible to calculate in advance the overall cost of the trip, because the expenses are paid by numerous government agencies and because many of the bills arrive for months after the trip has ended.

But for a sense of scale, news organizations have been advised that each accredited reporter can expect to pay \$15,000.

Ethiopian Roundups of Eritreans Harden War Mood

By Karl Vick
Washington Post Service

NAIROBI — It may be a war no one wants, over land rich mostly in dust, between people who until recently regarded each other as brothers and sisters in arms. Nevertheless, the conflict between Ethiopia and Eritrea shows no signs of ebbing and many of hardening.

"There will have to be a few more battles, I'm afraid," a senior adviser to President Issayas Aferwerki of Eritrea said with a sigh recently. And in the following days, while diplomats from a half-dozen countries fanned fading hopes of peace, both sides continued moving troops to the front.

There were other movements as well. More than 700 Eritreans who had been living in Ethiopia were loaded onto trucks and driven hundreds of miles to the border. As many as 5,000 more await a similar fate after they were rounded up by Ethiopian authorities and detained in a pair of open camps near Addis Ababa, the capital, according to Human Rights Watch/Africa. The advocacy group, based in New York, condemns the expulsions as harassment of civilians.

"Only men," said a Human Rights Watch official, Suliman Baldo, of those expelled. "They've left families alone."

The Ethiopian government calls the forced expulsions militarily necessary. Selome Zenawi, the government's spokesman, said that Ethiopia had targeted local officials of the Eritrean People's Liberation Front, the party that governs Eritrea and has an office in Addis

Ababa, as well as an Eritrean community organization and business people suspected of supporting the enemy effort.

In addition, Eritreans in "security-sensitive posts," such as telecommunications and the electric power, were obliged to take a month's "leave," but were not forced out of the country, Ms. Selome said. More than a half-million Eritreans live in Ethiopia, by the government's count.

The Eritrean government admits to no similar policy toward the estimated total of 100,000 Ethiopians who reside within its borders. But many of them have been lining up outside the Ethiopian Embassy in Asmara, the Eritrean capital, in search of the documentation that would assure them entry into their home country if they are forced out of Eritrea.

In their way, the expulsions represent the most confounding fracture yet in relations between the two countries, erstwhile allies whose populations, militaries and fates appeared to be bound tightly together as recently as a few weeks ago.

"We didn't think a thing like this could happen," said Solomon Abraha, a travel agent in Asmara. "I'm still not out of the surprise of it."

The complications only begin with the fact that the governments of both Ethiopia and Eritrea grew out of rebel movements that in 1991 together defeated a repressive Marxist regime ruling Ethiopia. Eritrea, which had been an Ethiopian province, voted to become independent and became a nation in 1993. The neighbors maintained an open border and the level of official

trust was such that the authors of a military reference book cautioned readers that the arsenal of one might be shared with that of the other.

What makes the specter of mass expulsions so confusing is the extent to which heritage is shared as well. Even Eritreans and Ethiopians sometimes have trouble telling one another apart. As Foreign Minister Seyoum Mesfin of Ethiopia said in defending what he termed the "very few" expulsions, the countries are linked by "blood, culture, history, economy, trade and all other sectors."

Intermarriage has been commonplace for generations, especially between Eritreans and natives of Tigray, the northwestern Ethiopian region that gave birth to the Eritrean rebel movement and borders Eritrea.

In fact, the mother of President Isayas of Eritrea is from Tigray and an Eritrean is the mother of Prime Minister Meles Zenawi of Ethiopia. The two men, who for years led their rebel forces in concert with one another, had a falling out. Now Mr. Meles threatens to take his former ally "a lesson."

The years of shared struggle are remembered in the trenches. "The fact that the people of Tigray are our friends is always in the grapevine," said Negusse Bega, an Eritrean and a prisoner of war who was made available to reporters by Ethiopian officials. "In fact, some say our brotherhood, our friendship was sealed by the blood of two peoples. But they also say that the real problem is Badame."

Badame is the heart of a 160-square-

mile (410-square-kilometer) section of land that each country says the other is trying to steal. It is remote and semi-arid, but the struggle for it summons twin rallying cries of national sovereignty.

The creation of Eritrea left Ethiopia without access to the Red Sea. As Ethiopians rally to the flag, Eritreans worry that the border dispute may become an excuse to try to reverse history.

■ Shelling Is Reported

Ethiopian and Eritrean forces exchanged artillery fire early Wednesday, ending a 12-day lull in fighting. The Associated Press reported from Addis Ababa, quoting a government spokesman.

Eritrea denied that any fighting had taken place, but residents in Adigrat, 600 kilometers north of Addis Ababa, said they heard shelling for several hours Wednesday morning.

Italy Air Traffic Halts

ROME (Reuters) — Air traffic throughout Italy was paralyzed on Wednesday as ground personnel at Rome and Milan's main international airports struck for four hours.

Airport officials said about 189 national and international flights were canceled between 10 A.M. and 2 P.M. at Rome's Fiumicino and Milan's Linate airports. The cancellations would cause delays throughout the day, they said.

The staff, including officials in charge of boarding and regulating plane departures, are striking to call for a reform of the rules governing their trade organization, officials said.

Those flying in and out of Milan were expected to face more trouble on Friday when three Italian transport unions plan a 24-hour strike for ground staff at the city's Linate and Malpensa airports.

WEATHER

Forecast for Friday through Sunday, as provided by AccuWeather.



Greek railway workers began a 24-hour strike in Athens on Wednesday against government plans to reduce money-losing routes, restructure management and cut costs. (Reuters)

The U.S. government has put America West Airlines under routine observation because of labor troubles at the carrier.

While airlines are on watch status, inspectors pay attention to paperwork, inspections, flight procedures and flight attendant training. (AP)

Hurricane Blas moved up from tropical storm status with winds of more than 100 mph and gusts of up to 125 mph, according to the U.S. National Hurricane Center in Miami.

Blas was 250 miles southwest of Acapulco early Wednesday, heading west. (AP)

Map, forecast and data provided by AccuWeather, Inc. ©1998 - www.accuweather.com

North America

Today High Low W CDF CDF Tomorrow High Low W CDF CDF

Atlanta 39102 2475 2800 2475 2475

Baltimore 31702 2475 2800 2475 2475

Barbados 34732 2710 2770 2710 2710

Beijing 34932 2170 2770 2170 2170

Berlin 32932 2710 2800 2710 2710

Calgary 34932 2475 2800 2475 2475

Chicago 34932 2475 2800 2475 2475

China 34932 2475 2800 2475 2475

Copenhagen 34932 2475 2800 2475 2475

Denmark 34932 2475 2800 2475 2475

Detroit 34932 2475 2800 2475 2475

Florida 34932 2475 2800 2475 2475

THE AMERICAS

Republicans Win New Mexico Vote

Election Is Seen as a Fall Preview

The Associated Press

ALBUQUERQUE, New Mexico — In a closely watched race, Republicans retained a New Mexico seat held by their party for nearly three decades.

Heather Wilson, a Republican and a former arms negotiator in the Bush administration, defeated Phil Maloof, a Democrat and a millionaire state senator, in a special election Tuesday for the vacant seat of Representative Steve Schiff, a Republican, who died of skin cancer in March.

Ms. Wilson becomes the first woman from New Mexico to serve in Congress in 50 years. Her victory in the Albuquerque-area district was a setback for Democrats, who now will be outnumbered by 12 seats in the House of Representatives.

Hillary Rodham Clinton and Tipper Gore campaigned for Mr. Maloof in the closing days of what became the most expensive congressional campaign in New Mexico history.

"So much for Democrat dreams of wielding the gavel anytime soon," said the Republican National Committee's chairman, Jim Nicholson. "This victory slams the door shut on any Democrat hopes for regaining the House."

With 99 percent of precincts reporting, Ms. Wilson had 52,357 votes, or 45 percent. Mr. Maloof had 46,217 votes, or 39 percent. A Green Party nominee, Robert Anderson, had 17,565 votes, or 15 percent, and was a key factor in the outcome of the race.

Ms. Wilson said she could be sworn in later this week. She will serve the rest of Mr. Schiff's term through this year, though she has to run again against Mr. Maloof and Mr. Anderson in November since all three have been nominated to run for a full two-year term.

"Whatever the outcome, we still have November," Mr. Maloof said.

Ms. Wilson, 37, was secretary of the state Children, Youth and Families Department before she resigned to run for Congress. She is an Air Force Academy graduate and Rhodes Scholar and once served on President George Bush's National Security Council staff.

Mr. Maloof, 31, is the scion of a prominent New Mexico family that made a fortune in liquor distribution, banking, hotels and casinos. He spent more than \$1.5 million of his own money in the campaign.

Amish Culture Clash

2 Young Men From Faith on Trial In a Biker Gang's Cocaine Dealing

By Hanna Rosin
Washington Post Service

WASHINGTON — Federal prosecutors in Pennsylvania have accused two young Amish men of buying cocaine from a gang called the Pagan Motorcycle Club and distributing the drug to other young members of the religious group at parties known as "hoochdowns."

"We've seen plenty of underage drinking cases but a drug case is unheard of," said John Pyfer, who is representing Abner Stoltzfus, 24. The other defendant is Abner King Stoltzfus, 23, who is related.

The case, which is being heard in Lancaster County, underscores the vulnerability of the Amish, who have seen suburban development and tourism encroach on their long secluded lives.

The suburbanites and the tourist gawkers have made it difficult for the Amish to close their eyes to what they consider the corrupting influences of modern lifestyles. Members of the faith do not have electricity or plumbing in their homes and they still make their way around in horse-drawn buggies.

The two accused men belong to the most conservative wing of the faith, the Old Order Amish.

Most Amish work as farmers or craftsmen and do not stray far from their homes. Abner Stoltzfus worked as a roofer, Mr. Pyfer said, and met Pagan members on his work trips outside Lancaster.

The two men were indicted Tuesday on charges of participating in a conspiracy to distribute more than \$1 million worth of cocaine and methamphetamine. Federal prosecutors placed most of the blame on eight members of the motorcycle gang, who were described as reckless and violent.

Emory Edward Reed, president of the Pagans' Chester County chapter, broke one of the defendant's legs with an ax handle when he refused an order and knocked out teeth of the other defendant when he failed to pay on time.

Members of the biker gang were known as habitual law-breakers. But no one from the Amish had ever been involved in such serious criminal activity, attorneys said.

The two men on trial allegedly bought the drugs from gang members between 1992 and 1997 and distributed them at parties of youth groups known as the Antiques, the Crickets and the Pilgrims. A juvenile identified only as CS also participated in the conspiracy, according to prosecutors, but was not charged in the indictment.

During the five years the two men were distributing cocaine, according to the charges, they were participating in an Amish rite of passage for males 16 to 24, translated loosely into English as "sowing your wild oats," Mr. Pyfer said.

Away From Politics

• America is becoming a "nation of spectators," according to a report that says too many people have disengaged from government and community work. The report, which calls on citizens to nurture civic life back to health, was released by the National Commission on Civic Renewal. (AP)

• The melting of a deep Sierra Nevada snowpack is turning recreational rivers into rampaging torrents that have killed 11 rafters in California in three weeks. (AP)

• A federal judge in Norfolk, Virginia, has barred anyone from visiting the site of the sunken Titanic, prompting complaints from a sightseeing company that says the ruling does not apply in international waters. The judge said no one could take photographs or videotape it without permission of R.M.S. Titanic Inc., which owns the salvage rights. (AP)

Monday

HEALTH/SCIENCE

With a wide range of topics from technology to space exploration, from recent medical discoveries to how the human brain functions, this in-depth feature brings up-to-date information on scientific and physical developments in the intriguing worlds of health and science.

Every Monday in the International Herald Tribune.

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POLITICAL NOTES

Clinton Plans Slashed

WASHINGTON — Setting Congress on a collision course with President Bill Clinton, a House panel has approved a proposal to slash the president's education initiatives as well as the annual financing for home-heating subsidies for poor people.

The proposal provides substantial increases for the National Institutes of Health and the Centers for Disease Control and Prevention, underscoring the Republicans' emphasis on popular health and research programs.

At the same time, it takes a \$2.6 billion bite out of administration priorities, cutting the Goals 2000 education program in half, eliminating the Low Income Home Energy Assistance Program, terminating the Summer Youth jobs program and decreasing money to tutor disadvantaged children.

Mr. Clinton called the cuts "arbitrary" and "extreme." (NYT)

Molinari's TV Star Dims

NEW YORK — It was either CBS News' experiment with creating an anchorwoman from a congresswoman, or Susan Molinari's experiment with transforming herself from a Republican Party star into a television star. From either perspective, the experiment failed.

On Tuesday, Ms. Molinari and the CBS

News president, Andrew Heyward, announced that she would leave the network, nine months after she began as the co-anchor of "CBS News Saturday Morning" with Russ Mitchell.

"I don't feel she was terribly comfortable with the format or material, even though she was very devoted to it and worked very hard at it," Mr. Heyward said in a telephone interview.

"I think she has a lot of ability and a lot to offer, but the program was not the best venue for her. I think she missed the political arena — not being in politics per se, but political commentary and analysis."

Ms. Molinari, in a statement, praised everyone she had worked with at CBS News and added: "I look forward to my next opportunity in broadcasting."

Her statement said she had accepted a visiting fellowship at Harvard University

starting in the fall, and was considering

"several broadcasting options, including

commentary." (NYT)

Quote/Unquote

President Clinton, as he signed legislation making it a felony to cross state lines to evade child-support payments: "The quiet crisis of unpaid child support is something that our country and our families shouldn't tolerate. Our first responsibility — all of us — is to our children." (AP)



A BIG YAWNER — Jesse Evans of Blain, Minnesota, with his mother, Sonja and brother, Jonathan, attending a White House ceremony on Wednesday for the signing of a bill making it a felony to cross state lines to evade child support.



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ASIA/PACIFIC

Secret U.S. Technology Disappeared During Crash of Chinese Rocket

By Eric Schmitt
New York Times Service

WASHINGTON — A secret encoded circuit board containing sensitive technology was missing from the wreckage of an American satellite aboard a Chinese rocket that exploded in 1996, and American officials say they suspect that Chinese authorities took the board.

The disclosure of the missing circuit board, which tells an orbiting satellite which way to point to receive and transmit signals to and from Earth, was made Tuesday at an unusual joint hearing of two House committees, National Security and International Relations.

If China did steal the circuit board, it would be a violation of a technology safeguards agreement that Beijing and Washington last amended in 1993, to prevent the transfer of sensitive American military technology.

In raising that possibility, the new disclosure opened a new front in the congressional inquiry

into whether sensitive space technology was transferred to China by American aerospace corporations using Chinese rockets to launch satellites.

Representative Curt Weldon, Republican of Pennsylvania, said the circuit board would be a focus of a special committee the House created last week to investigate the wide-ranging China accusations. The control box containing the circuit board was recovered at the crash site, he said, "but the card is gone. We better call the Chinese on this issue. That is a very serious concern."

On Feb. 15, 1996, U.S. military monitors watched the Chinese rocket launch from a command post in southern China as it streaked toward space carrying a \$200 million American communications satellite. But 22 seconds after liftoff, the Long March rocket exploded, showering debris and burning fuel on a nearby Chinese village, where by U.S. accounts as many as 200 civilians were killed.

For five hours, American officials said, Chinese authorities barred them from the crash site, saying

it was for their own safety. When the Americans finally reached the area and opened the battered but intact control box of the satellite, a super-secret control circuit board was missing. Now congressional investigators are asking whether there could be any explanation for the missing technology other than that the Chinese took it.

At Tuesday's hearing, Mr. Weldon quoted a statement he said was given to him by the National Security Agency that warned: "If the encryption board were reversed-engineered, the knowledge gained could be used to strengthen adversaries' knowledge" of the devices the United States uses to safeguard its communications systems.

A senior Defense Department official said Tuesday that he was not aware that the government had demanded that the Chinese account for the missing encoded card. "We're not 100 percent sure they fished this encryption card," the official said. "It may have just fallen out, but we have to assume they do have it."

At the hearing, Congress also disclosed that

the Justice Department has begun an investigation of a second failed China missile launch that also involved an American satellite. This second inquiry is centered on the possible sharing of sensitive information with the Chinese without American government supervision.

The new revelation also adds a new dynamic to an ongoing Justice Department inquiry into the matter. Federal investigators are trying to determine if the two satellite-makers, Loral Space & Communications and Hughes Electronics, divulged sensitive technology to Chinese rocket scientists during an analysis of the failed launch.

The State Department oversees exports of the encoded boards as militarily sensitive technology. But when the same components are embedded in a satellite, the whole unit falls under the export controls of the Commerce Department. A government auditor told a Senate inquiry earlier this month that the Commerce rules are looser than the State rules.

Government officials insist that American

satellites launched on Chinese rockets are protected with armed, 24-hour American guards. But the Commerce rules provide little protection against sensitive technology being released in accidents like the February 1996 explosion.

William Reinsch, an undersecretary of commerce for export administration, told a House hearing last Thursday that there would not have been any effect on national security if China obtained the encoded device.

But the Defense Department said in a statement it provided to Mr. Weldon that the "loss of the chips" would actually have a "minimal impact" — not no impact at all — on national security.

In addition, according to Mr. Weldon, the National Security Agency, the government's code makers and code breakers, said that it had changed the encoded algorithms in satellite circuit boards after the failed February 1996 launch.

"If there was only 'minimal impact' to national security, why did the NSA change the algorithms?" Mr. Weldon asked Tuesday.

BRIEFLY

Pakistan and India Will Talk in July

Malaysia Deports 438 Indonesians

ISLAMABAD, Pakistan — Pakistan said Wednesday that Prime Minister Nawaz Sharif had agreed to hold bilateral talks with his Indian counterpart, Atal Behari Vajpayee, during a South Asian summit meeting in Sri Lanka beginning July 29.

Mr. Vajpayee proposed the talks in a letter that New Delhi said was written to Mr. Sharif on June 14, amid high tension between the two sides over their nuclear tests last month.

A Pakistan Foreign Ministry statement said Mr. Sharif sent a letter to Mr. Vajpayee on Tuesday, hoping the two leaders would hold the talks during the South Asian Association for Regional Cooperation meeting.

Mr. Sharif also expressed the hope that the two sides would discuss "all issues of concern, particularly issues of peace and security in the nuclearized South Asia" and their dispute over the Himalayan region of Jammu and Kashmir. (Reuters)

KUALA LUMPUR — Malaysia deported 438 illegal Indonesian workers on Wednesday in two crammed ferries that sailed from the southern port of Malacca, the national press agency Bernama reported.

The Indonesians — 320 men, 97 women and 21 children — were rounded up in a nationwide crackdown on illegal workers.

Malaysia has deported more than 30,000 Indonesians since the Asian economic crisis worsened this year. It says it expects to deport 200,000 illegal Indonesian immigrants by Aug. 15.

The last big deportation was on May 13, when 90 Indonesians were sent home in wooden trawlers. (AP)

Opposition Doubt On Cambodia Vote

PHNOM PENH — An opposition politician, Sam Rainsy, said Wednesday that the international community was willing to let democracy in Cambodia die in its rush to wash its hands of the country and turn its attention to other trouble spots.

Over the weekend, Cambodia's main aid donors and Asian neighbors endorsed preparations for Cambodia's election on July 26 despite threats from Mr. Sam Rainsy, a former finance minister, and another opposition party leader to boycott the vote if it was not postponed and made fairer.

Mr. Sam Rainsy, a popular and outspoken critic of Hun Sen's government, said he would decide on July 5 whether he would take part in the election or not.

"Most of the countries who call themselves friends of Cambodia have already made up their minds," he said. "They have already decided to endorse the election on July 26, and they turn a blind eye to many shortcomings and many irregularities because they want to wash their hands of Cambodia quickly. They have other concerns in other parts of the world."

The international community sponsored a 1991 peace treaty that officially ended the Cambodian war and then spent some \$2 billion on a two-year peace process and an election in 1993 run by the United Nations. (Reuters)

Diana Garden

Habibe Agrees To Cut Forces In East Timor, Bishop Reports

The Associated Press

JAKARTA — A prominent Indonesian dissident and Nobel laureate said Wednesday that President B. J. Habibie had pledged to withdraw some troops from disputed East Timor and allow its people greater freedom.

But after meeting with Mr. Habibie at the presidential palace, Bishop Carlos Ximenes Belo said that he and Indonesia's new leader had skirted a key issue: the demand of many East Timorese for a vote on independence for the Indonesian-controlled territory.

"He supports how to improve first the internal situation," Bishop Belo said after the meeting. As for a vote on independence, the bishop added: "Maybe it will come later."

Mr. Habibie has ruled out a referendum in the former Portuguese colony, which was invaded by Indonesia in 1975 and annexed the next year. Instead, he has offered special status that would grant an undefined measure of autonomy while keeping East Timor as Indonesia's 27th province.

Still, Mr. Habibie's decision to meet with Bishop Belo was a sign of new government openness.

"He's ready, through his government, to improve the situation in East Timor," said the bishop, who shared the 1996 Nobel Peace Prize with another East Timorese activist, Jose Ramos-Horta. "Many suggestions that I presented, he supported them fully."

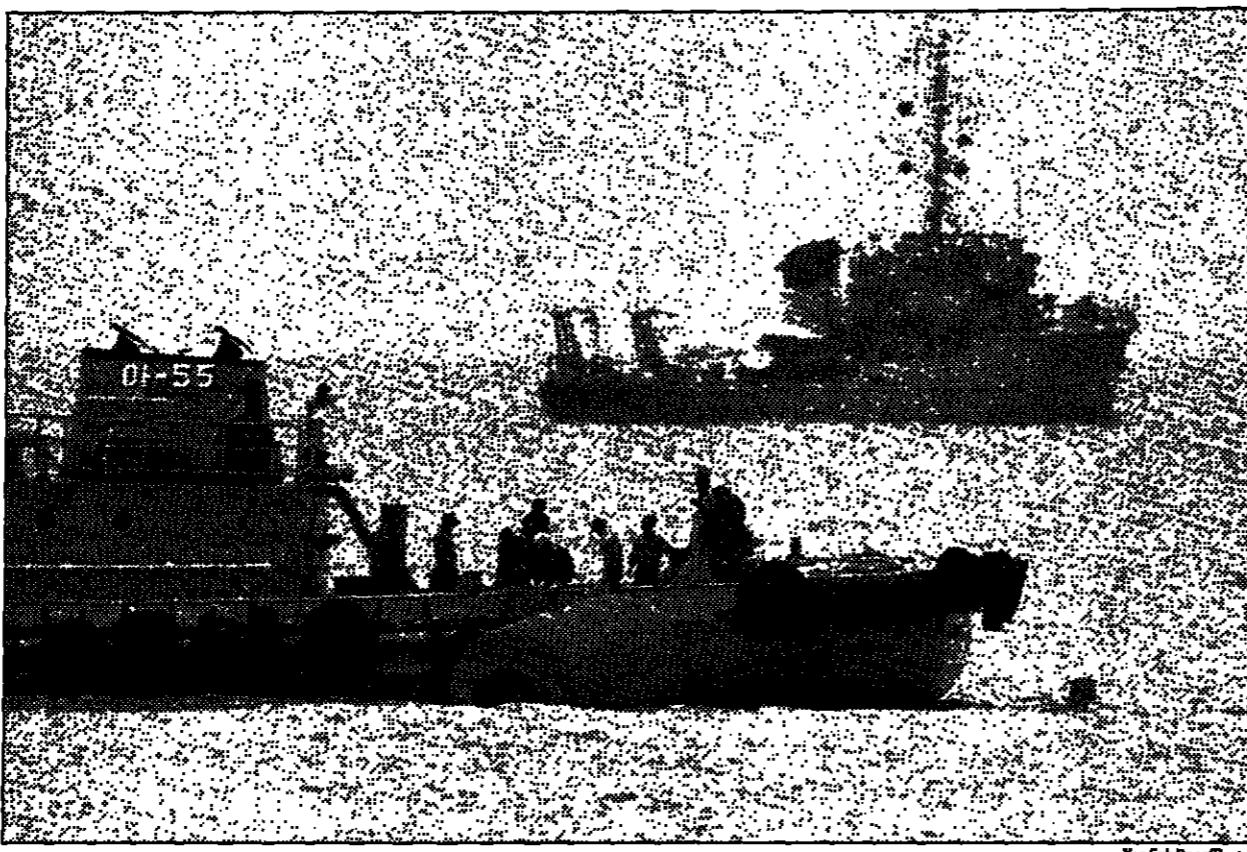
Bishop Belo's proposals included a reduction of Indonesia's heavy military presence in East Timor and greater freedom of movement for East Timor's 800,000 people. He said that Mr. Habibie had agreed on these points.

Mr. Habibie's office did not comment on the meeting.

Meanwhile, hundreds of heavily armed soldiers blocked about 300 workers from staging an anti-government protest at Parliament on Wednesday.

The army stopped a fleet of buses chartered to carry demonstrators from the offices of the Indonesian Prosperity Trade Union to the legislature. Troops also barred workers from reaching the offices.

There were no injuries or arrests.



A South Korean Navy vessel lying next to a buoy marking the position of a sunken North Korean submarine.

South Koreans Try to Raise Submarine

President Says Incident Should Not Change Approaches to the North

The Associated Press

DONGHAE, South Korea — With warships circling, South Korean Navy frogmen attached air bags to a sunken North Korean submarine Wednesday, hoping to raise it and look inside for spies or clues to its mission.

The small submarine broke loose from a towline Tuesday while a South Korean frigate was pulling it to the Donghae naval base. It sank in 30 meters (100 feet) of water a kilometer off the coast.

A Defense Ministry spokesman, Lieutenant Colonel Kim Chong Sook, said the submarine would not be raised before Thursday afternoon because rapid currents had delayed the divers. He said he did not expect any crewmen to be alive.

President Kim Dae Jung, fearing the incident might derail his fragile efforts to entice the North to open up its society, has ordered the Defense Ministry to refrain from retaliatory rhetoric.

Earlier, ministry officials speculated the crew managed to escape before their vessel was seized Monday while entangled in a mackerel fishing net just south of the North Korean border.

Navy divers got no response when they pounded on the sub's hull with a hammer. They also used sonar scans but detected no signs of life inside.

North Korea said Tuesday that one of its submarines was missing on a training mission after experiencing mechanical problems. But the South suspects the submarine was on a spy mission.

On Wednesday, the South Korean president visited an air base and an army command post east of Seoul in an apparent effort to counter criticism from some domestic news media that he was being too soft on North Korea.

"North Korea is revealing two or

three faces in its dealings with us," Mr. Kim told officers.

"But our principles should not be shaken," he added, reaffirming his policy of plying open the North through economic and diplomatic efforts that include humanitarian aid.

"We will not tolerate an armed provocation," Mr. Kim told the airmen. "But we have to wait and see if the submarine was drifting, as the North says, or it was spying on us. Then we will act."

Authorities described the submarine as a "midget submersible," which can carry a crew of six and is used primarily to transport spies and conduct coastal surveillance.

The submarine was found not far from where a larger North Korean sub ran aground two years ago. The 1996 incursion triggered a 53-day manhunt that left 37 people dead.

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Announcements

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MAX: 1.02 SCSP: 1.35

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INTERNATIONAL

France Seeks a Plan for Kosovo's Autonomy

By Craig R. Whitney
New York Times Service

PARIS — France called Wednesday for an international plan to restore autonomy to the Serbian province of Kosovo, with the threat of NATO military intervention if Serbian authorities do not quickly agree to negotiations.

Ambassadors from the 16 countries of the alliance intensified contingency planning at North Atlantic Treaty Organization headquarters in Brussels on Wednesday, allied diplomats said.

At the same time, a U.S. special envoy, Richard Holbrooke, met with eth-

nic Albanian leaders in Kosovo a day after he pressed President Slobodan Milošević of Yugoslavia to stop Serbian attacks and resume political talks with the rebels.

An ethnic Albanian leader in Kosovo, Ibrahim Rugova, said in Brussels on Wednesday, "It's difficult to talk when ethnic cleansing is going on."

But the secretary-general of NATO, Javier Solana Madariaga, warned Mr. Rugova that the allies did not support the goal of total independence from Serbia. Kosovo had autonomy in the Yugoslav federation, now dominated by Serbia, until Mr. Milošević revoked it in 1989.

Ninety percent of Kosovo's population is ethnic Albanian.

With more than a third of Kosovo's territory now controlled by the rebels, French officials said that they feared events could quickly spin out of control and spread fighting to neighboring Albania and Macedonia. They have both called for NATO intervention to prevent further escalation.

"This seems to me the right moment for the international community to define a statute of genuine autonomy for Kosovo," President Jacques Chirac said at a French cabinet meeting Wednesday morning. "That is necessary to restart

negotiations between the two parties."

Mr. Chirac also said that only "very firm action by the international community," including the threat of military force, could break the cycle of violence in Kosovo as it did in Bosnia three years ago, after years of ineffective UN peacekeeping action there.

But he said that France continued to believe that a mandate from the UN Security Council would be needed before NATO could actually go into action in Kosovo. Both Russia and China, permanent members of the Security Council, have the right of veto there and oppose Western military intervention.

Russian officials are also meeting this week with Serbian authorities to try to get negotiations resumed.

Russia, the United States, France, Germany, Italy and Britain, joined by Japan and Canada, issued a call in London on June 12 for Serbia to stop its attacks, withdraw military forces that have inflicted 200 to 300 civilian casualties in the province and resume negotiations with Albanian leaders in Kosovo or face the possibility of NATO action.

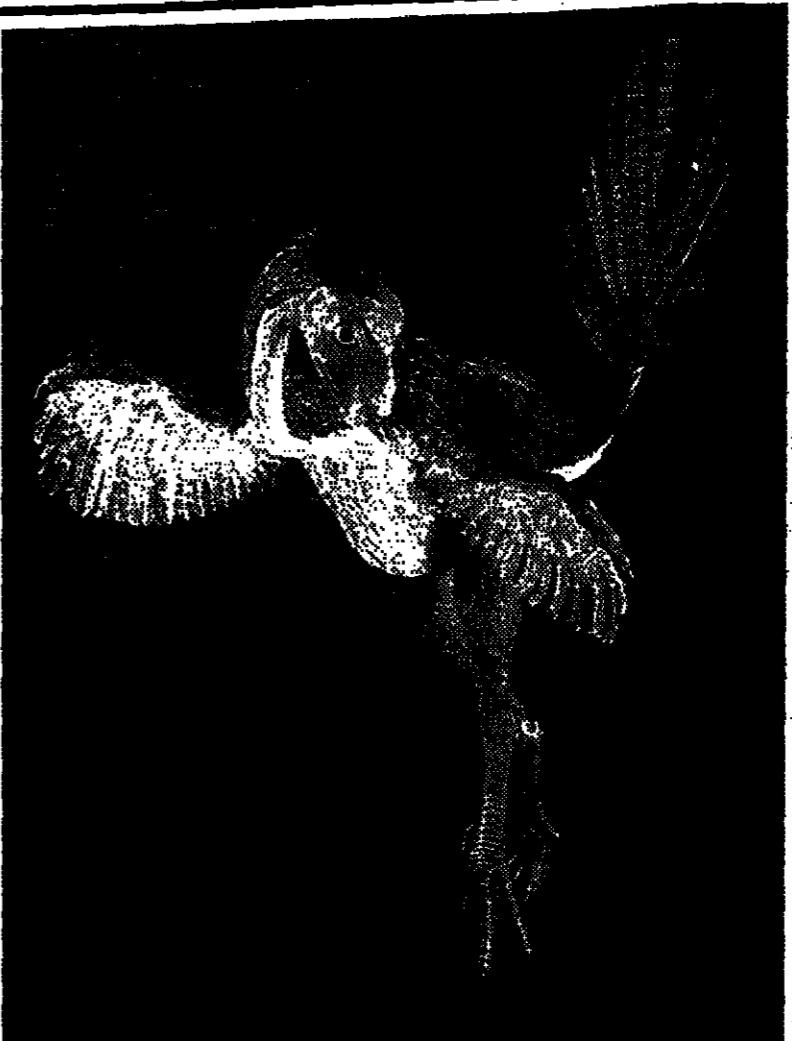
After meeting with President Boris Yeltsin in Moscow the following week, Mr. Milošević said he would start the talks but did not agree to take out his armed forces. NATO continued to draw up military plans for various contingencies and allied ambassadors in Brussels ordered the plans to be readied for implementation within 24 hours of a decision by political leaders to go ahead, some officials said.

NATO officials said the planning covered a range of possible options, from large-scale air strikes against Serbian air defense and other strategic sites across Yugoslavia, through moving peacekeeping troops or monitors onto the border between Albania and Kosovo, down to simply having another air power demonstration like the one staged over Macedonian territory last week to try to intimidate Serbian commanders.

Serbian forces have apparently sealed off much of the Albanian border, NATO officials said, adding that only a dozen refugees from Kosovo a day had been seen moving across, compared to hundreds a day earlier this month.

France, which has backed the military planning, pressed for as wide a range of options as possible and resisted urging by NATO military authorities for a quick, heavy series of air strikes as the only threat that would impress the Serbs, French officials said.

Whether France would actually agree to NATO strikes if Serbia remained adamant and Russia continued to oppose a mandate was another question, according to French officials.



O. Louis Mazzatorta/The Associated Press
A model of *Caudipteryx zoui*, said to be a missing link between dinosaurs and birds, based on one of the fossils discovered in China.

Bird Link to Dinosaurs? 2 New Fossils Make Case

By John Schwartz
Washington Post Service

WASHINGTON — Newly discovered fossil remains of feathered dinosaurs provide conclusive evidence that today's birds descended from creatures like the vicious velociraptor, according to three leading scientists.

The two 120-million-year-old specimens "represent a missing link between dinosaurs and birds which we had expected to find," said Ji Qiang, director of the National Geological Museum in Beijing, who first published papers on the finds in Chinese scientific journals.

The debate over whether birds sprang from dinosaur lines or evolved separately has long been one of the most heated in a contentious field.

"Dinosaurs have become almost synonymous with the word 'controversy' in science," said Philip Currie, curator of dinosaurs at the Royal Tyrrell Museum of Paleontology in Canada.

But "one of the controversies, I think, is finally resolved," he said at a news conference at the National Geographic Society on Tuesday. Mr. Currie was joined by his colleagues, Mr. Ji and Mark Norell of the American Museum of Natural History in New York, who first published papers on the finds in Chinese scientific journals.

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INTERNATIONAL

Clinton Vetoes Russia-Iran Missile Sanctions

By Thomas W. Lippman
Washington Post Service

WASHINGTON — President Bill Clinton has vetoed a bill passed by overwhelming margins in both houses of Congress to impose sanctions on companies in Russia that sell ballistic missile equipment or technology to Iran.

The administration has long opposed Russian assistance to Iran's missile development program. But Mr. Clinton said the sanctions are unacceptable.

He said the bill, which would target Russian companies, would "make it more difficult" to work cooperatively with Russia on a range of security issues, including missile proliferation, law enforcement, narcotics and crime.

He also said the bill would add to the proliferation of sanctions, now touching more than 70 nations, while the administration is looking for ways to restrain their use.

"Adding yet another flawed sanctions bill is not the way to start," Mr. Clinton said in a veto message Tuesday. "Existing law provides a sufficient basis for

imposing sanctions when we need them."

Michael McCurry, White House press secretary, and other officials also said that a focus on Iran would run counter to the strategy unveiled last week by Secretary of State Madeleine Albright of reaching out to Iran's relatively moderate president, Mohammed Khatami, in the hope of restoring normal relations.

The measure also contained legislation to implement the Chemical Weapons Convention, a treaty banning poison gas weapons that was ratified by the Senate last year after a strenuous lobbying effort by the Clinton administration. Congress attached the chemical weapons measure to the sanctions bill in hopes of persuading Mr. Clinton to accept the entire package.

Without the implementing legislation, the United States is technically violating a treaty the administration strongly supported. But Mr. Clinton's objections to the Russia-Iran sanctions overrode the administration's desire to see the chemical weapons measure enacted into law, administration officials said.

Mr. McCurry announced the president's intention to veto the bill shortly after a group of House Democrats

led by the bill's sponsor, Representative Howard Berman of California — held a news conference at the Capitol urging Mr. Clinton not to do so. Mr. Berman and his colleagues predicted that Congress would override the veto.

In a gesture to the administration, Congress wrote the sanctions bill to apply only to missile or technology sales after Jan. 22 of this year. On that day, Russia adopted arms export regulations hailed by Washington as the legal tool that would enable Russia to curb exports by privately owned Russian companies.

But the president said he decided to veto the bill because it "does not allow flexibility sufficient to reflect the progress made by the Russian government in formulating policies and processes whose goal is to sever links between Russian entities and Iran's ballistic missile program."

The sanctions would have little real effect on either Russia or Iran. They would cut off for two years any U.S. exports of military equipment or weapons-usable technology to a handful of Russian companies and would prohibit U.S. loans to them.

Nerve Gas Find Toughens U.S. Stance on Embargo

By Christopher S. Wren
New York Times Service

UNITED NATIONS, New York — The first physical evidence that Iraq loaded deadly VX nerve gas into missile warheads before the 1991 Gulf War has strengthened the resolve of the United States and its allies to maintain the embargo on Iraqi oil sales, according to diplomats.

UN weapons inspectors excavated warhead fragments in March from a weapons dump at Nibai, Iraq, and shipped them to a U.S. Army laboratory

at Aberdeen, Maryland. The laboratory found significant traces of VX, an agent so toxic that a few drops can kill.

"It's a nail in the coffin for Iraq's efforts to lift sanctions and to show substantial progress on disarmament," the chief U.S. delegate, Bill Richardson, said Tuesday in an interview.

Britain's chief delegate, Sir John Weston, said there was no room to give Iraq the benefit of the doubt about the existence of "extremely potent chemical weapons" like VX. "I think it ill serves the United Nations not to look the facts in the face and to deal with them squarely

in a case of this kind," he said. The United States and Britain have fought against relaxing the sanctions, which were imposed after Iraq invaded Kuwait in 1990, until weapons inspectors verify that Iraq is free of weapons of mass destruction and the means to make them.

The three other permanent members of the Security Council — China, France and Russia — have supported a more accommodating approach that takes into account the limited cooperation Iraq has offered so far.

The oil sanctions have already been

relaxed to allow Iraq to earn money for food and medicine imports.

But the discovery of VX on missile warhead fragments, first reported Tuesday by The Washington Post, has sounded alarms because it offers proof that the Iraqis lied when they called their VX program purely experimental. Experts say that if the Iraqis could stabilize VX sufficiently to pour it into warheads, they could also keep it stable enough to hide for years from inspectors.

President Bill Clinton left little doubt that the United States would use the discovery to keep the sanctions on Iraqi oil. "Let the inspections go forward and don't lift the sanctions until the resolutions are complied with," he said Tuesday.

Iraq, in a statement by its UN mission, said the Aberdeen analysis of warheads could not be correct because "continuous production failure" had prevented the use of VX in any munitions.

The Iraqi statement also sought to find fault with the handling of the VX samples, saying Baghdad was told that only one of the seven samples analyzed had shown variable traces of VX. It also said that the samples were taken without giving Iraq equivalent samples, as had been agreed upon, and that no soil samples were taken for comparison.

The statement also noted that Iraq had insisted that any analysis of importance be done in a neutral country or be divided among laboratories of other countries.

The Security Council was being briefed on the issue Wednesday by Richard Butler, the Australian diplomat who heads the arms inspection team.

Arafat Agrees to Form a New Cabinet

Reuters

RAMALLAH, West Bank — Yasser Arafat, the Palestinian leader, has accepted the resignation of his cabinet and will name new ministers within two weeks, a senior Palestinian official said Wednesday.

The official, Saeb Erekat, said Mr. Arafat had made the announcement to the Palestinian Legislative Council, which had pressed for political reform and threatened a no-confidence vote.

For nearly a year, the 88-member legislature and many other Palestinians have been demanding reforms since an auditor's report and a parliamentary inquiry contended that waste was rampant in Mr. Arafat's government.

Mr. Erekat said the council had granted

Mr. Arafat a two-week extension of the Thursday deadline it had set for him to name a new cabinet.

"There was a letter from President Arafat addressed to the council stating that he had accepted the resignation of the cabinet and that he continued his deliberations to form a new cabinet, which he will conclude within the next two weeks and submit for a vote of confidence," Mr. Erekat said.

The council voted to accept the letter and to accept the extension for two weeks, Mr. Erekat said.

He said the present cabinet would act in a caretaker capacity until the new ministers had been named.

Mr. Erekat said the extension had been granted because Mr. Arafat was

consulting widely. "There are so many political parties," Mr. Erekat said. "We have a wide body of Palestinian political life and this is why time is needed."

Ziad Abu Amr, an independent member of the council, said he hoped that the new ministers would be chosen on the basis of expertise but said he was doubtful that there would be radical change.

"We expect some changes and these changes have to be convincing or else the council won't give its confidence to the new cabinet," he said.

"I am skeptical about the magnitude of changes and substance, but it's up to the president to present the new faces and it's up to the council to vote on the new cabinet," Mr. Abu Amr said.

BRIEFLY



Jean-Patrice Kanza/Agence France Presse

An angry demonstrator shouting in Lome, Togo, on Wednesday after the announced re-election of President Gnassingbe Eyadema.

Leader's Re-election Disputed in Togo

shake up the United States.

On Sunday, rocket-propelled grenades exploded near the heavily-protected U.S. Embassy, isolated on a hilltop on the edge of Beirut.

The devices caused no casualties or damage but raised security concerns in a country where Americans were targeted in deadly attacks in the 1980s.

Peru Bars Freedom For Jailed American

LIMA — President Alberto Fujimori of Peru has rejected a proposal by his prime minister to free Lori Berenson, a U.S. citizen jailed for life on terrorism charges in a top security prison in the Andes.

Prime Minister Javier Valle Riestra recommended this week that Mr. Fujimori pardon and expel Miss Berenson, 28.

But Mr. Fujimori said he had no doubt that Miss Berenson was a "terrorist" affiliated with the Marxist Tupac Amaru Revolutionary Movement. He said that freeing her would send a "negative signal" to Peruvians and the international community alike.

Envoy Sees Motive For Beirut Blasts

BEIRUT — The U.S. ambassador to Lebanon, Richard Jones, said Wednesday that grenade explosions near the U.S. Embassy were designed to undermine stability in Lebanon and

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Redrawing Jerusalem

Prime Minister Benjamin Netanyahu has chosen an awkward moment to redraw the boundaries of Jerusalem, one of the most sensitive issues in the Mideast peace talks. The point of those talks is to resolve disputed issues by negotiation and compromise, not by one side's acting on its own.

At Mr. Netanyahu's behest, Washington has been trying to find a formula to move the peace talks forward to the toughest remaining issues. These include boundaries within greater Jerusalem, the future of Jewish settlements and the political status of Palestinian-controlled areas.

Mr. Netanyahu says he still wants such accelerated talks. But if he means to negotiate in good faith, he should not now be redrawing the political boundaries of greater Jerusalem.

The new boundaries would expand Jerusalem's territory by 50 percent, by annexing Israeli land to the west. Although only Israeli territory is involved, Mr. Netanyahu should not be redefining Jerusalem's borders in advance of negotiations about its future.

More provocatively, the expansion plan also contemplates including several West Bank settlements east and north of the city in an "umbrella municipality," with Jerusalem responsible for their public services.

The political status of these and other Jewish settlements should also be resolved at the negotiating table. Although they may end up under Israeli sovereignty, that should come about as

part of a broader package, perhaps in exchange for Israeli compromises on other issues.

The plan's actual bearing on the peace talks will largely depend on details still to be worked out. In response to strong criticism from Washington, Mr. Netanyahu seems to have retreated a bit, reassuring the Clinton administration that no decision has yet been made to extend Jerusalem's municipal authority farther into the West Bank. That clarification is more constructive than his earlier boast that the new arrangements were "a basic change in Jerusalem's status, which will be remembered as a turning point."

But past experience, including the opening of a controversial tourist tunnel two years ago and the approval of new Jewish housing in East Jerusalem last year, should have taught Prime Minister Netanyahu that any abrupt changes in the city's delicate status quo, particularly in the absence of negotiations with the Palestinians, can be explosive.

Mr. Netanyahu faces increasingly sharp divisions within his own cabinet over whether to take the next steps toward peace. By causing new tension over Jerusalem, he may be trying to change the subject. If so, he can expect only a temporary respite. Most Israelis believe in a negotiated peace with the Palestinians, and reasonably expect their government to move ahead toward this goal.

—THE NEW YORK TIMES.

Junk the E-Mail Junk

Sending a single e-mail is easy and cheap; sending a million e-mails is just as easy and cheap, and that makes it nearly irresistible as a form of mass marketing. Anyone with e-mail has by now experienced the effects of this anomaly. People with ordinary accounts get used to deleting a stack of fly-by-night solicitations from their e-mail inbox every morning. Parents whose children's accounts are flooded tend to react with less equanimity, especially since much of the trash advertises X-rated services or elaborate scams.

Is "spam," as junk e-mail is known, just a price you pay for using the Internet, or is it a hazard demanding government action? After kicking around the question for several years, the Senate has passed the first stab at a law to curb the problem, an amendment sponsored by Frank Murkowski, Republican of Alaska, and Robert Torricelli, Democrat of New Jersey, and appended to a larger bill about telephone marketing practices. Senator Murkowski is well situated to find junk e-mail a menace, since his Alaska constituents mostly have to phone long distances to pick up their e-mail.

One argument for classifying junk e-mail differently from ordinary junk mail is that, as with faxes, the recipient pays. A competing bill would simply extend the law against junk faxes (which makes it illegal to send un-

—THE WASHINGTON POST.

Princely Comeback

Warm reports about Prince Charles have begun to blossom on both sides of the Atlantic. Some — little green fingerlings of fact, like his contribution of a watercolor he painted of Hong Kong harbor to an auction this week at the New York Academy of Art — gently suggest a creative spirit, a charitable heart. But there are big flattering images of princely purpose ripening into color, too.

The New York Times (IHT, June 18) noted the favorable reviews for his creation of Poundbury, a new town being built on his land. Praise has welled up in British publications as different as the Financial Times and Homes and Antiques magazine. Suddenly the man once satirized as the dotty "Prince of Somers" is being celebrated for integrity, modesty and good taste. Town and Country put Prince Charles on its cover, smiling gaily in his garden.

Such a shift in image can sometimes be the result of artful public relations work, a careful mulching and watering of the media. The British press, chastened by the criticism of its pursuit of Diana, the late princess of Wales, has been in a mood to be receptive. The image of England's remote, expensive, unscrupulous royal clan was in dire need of freshening.

—THE NEW YORK TIMES.

Herald Tribune

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Clinton in China: Who's Manipulating Whom?

By William Pfaff

PARIS — President Bill Clinton's arrival in China will bring to a climax the two countries' attempts to manipulate each other's political affairs. The Chinese expect to exploit the Clinton visit to cover over their policies of internal repression and obtain implicit endorsement of their ambition to become the dominant power in Asia.

They will see in the visit validation of their recent discovery that the way to deal with America is not through the State Department or the White House, but by directly or indirectly financing political parties and election campaigns, and by persuading corporations doing business in China to lobby on China's behalf in Washington.

The administration and most of the American policy community believe that the link to America is so important to China's leadership that those leaders will shape their own policies to preserve or strengthen the link.

Washington, and business, have also convinced themselves that democracy and markets will in any case dominate China's future, producing steadily improved relations with America. This faith in inevitable progress rationalizes the administration's policy of compromising on political and human rights issues so as to promote China's market opening to American manufacturers, agricultural exports and services.

If democracy does not in the end prove part of the package, Washington will be sorry but will make the best of it. It has already apparently decided to make the best of China's avowed "technical" inability to broadcast Mr. Clinton's speeches live, which would mean tolerating censorship of the president's statements to the Chinese television and radio audiences.

China today is very far from democratic practices or a market economy. Its resistance to globalization and the international marketplace is why its economy and currency were spared the worst consequences of the Asian crash of the past six months — and why, last week, China could maneuver Treasury Secretary Robert Rubin into supporting the sinking Japanese yen and thereby protecting, for the moment, the competitiveness of Chinese exports.

China's actual future is quite unforeseeable. The government headed by Jiang Zemin is a Communist Party oligarchy, at a time when communism has lost all serious meaning in China. Its legitimacy is no longer ideological or revolutionary. It rests on the fact that this will really be enough to assure a successful future for China.

A recent newspaper report quoted an American academic as saying that President Jiang Zemin is staking his reputation in Chinese history on success in establishing a strong and lasting relationship with the United States. This may be how it looks in Washington,

where the automatic assumption is that the United States is the center of the political universe, around which other peoples orbit, seeking favor.

China, historically, has considered itself the "middle Kingdom," to which others are tributary. China's future depends on what the Chinese themselves do to re-establish not only their political nation but their civilization as one central to the human experience, which is what it was in the past. Mr. Jiang's place in Chinese history will depend on that.

G. F. Hudson, in his classic history of China's relations with Europe, quotes a proverb from the 16th century which says that the Chinese alone possess two eyes. The Franks (the Westerners) possess one eye. All the other inhabitants of the earth are blind.

Two intersecting views cross one another in China today.

There is Mr. Clinton's, confident of global pre-eminence yet anxious, for domestic reasons, for China's trade and favor — and therefore, in a measure, in the position of suppliant.

There is the view of the Chinese, seeing in their dealings with Washington a step toward recovery of their own pre-eminence, lost since the Manchu decline began two centuries ago.

Whose is the two-eyed view?

International Herald Tribune.
Los Angeles Times Syndicate.

Despite Obstacles, 'the River Will Keep Flowing Eastward'

By Jiang Zemin

Mr. Jiang is president of China.

The economies of the world are increasingly interrelated. So there ought to be a common standard that it is inadvisable to command the efforts of one country for maintaining the value of its currency [while] giving tacit approval to another country which devalues its currency. I have seen some developments in this regard and easing tensions in South Asia.

China has contributed positively to easing the Asian financial crisis. It has taken risks and paid a price. This is manifested in China's adherence to the policy of not devaluing, and its provision of assistance totaling more than \$4 billion for Indonesia, the Republic of Korea and Thailand.

There is one factor that merits close attention. China has a population of 1.2 billion. In terms of the provision of food

and clothing, this presents a challenge. But it is an advantage in terms of the potential size of the domestic market.

To ease the tension in South Asia, it is most imperative that India and Pakistan keep cool-headed exercise restraint, resume dialogue immediately and refrain from any remarks or actions that might further intensify tensions.

Both should give up their nuclear weapons programs and unconditionally sign the Nuclear Nonproliferation Treaty and the Comprehensive Test Ban Treaty.

We have always maintained

that the question of Taiwan should be resolved on the principles of peaceful reunification and one country, two systems." The two sides of the Taiwan Strait should come together and sit and discuss this question on the basis of the "one-China" principle.

In recent years, the ever increasing contacts between people across the Taiwan Strait have significantly contributed to enhanced mutual understanding. Recently, we convened a conference in Taiwan in which we proposed to develop an all-round relationship and increase cross-strait exchanges. As a first step, the two sides may negotiate and agree on formally ending the state of hostility.

This comment has been adapted from an interview with President Jiang conducted by Lally Weymouth and published in *The Washington Post*.

Washington Courts Tehran and Eases Up on Baghdad

By Jim Hoagland

WASHINGTON — Containment Lite may be the way to describe the new Gulf strategy of the Clinton administration, which is de-emphasizing U.S. military muscle against Iraq and years of diplomatic hostility against Iran. It is a half-smart move, driven more by desperation than by realistic hope that peace and quiet will follow in one of the world's roughest neighborhoods.

After five years of a dual containment policy aimed at weakening both regimes, U.S. officials now acknowledge privately that the policy has run out of gas. Something new is needed.

The opening to Iran is occurring publicly, after considerable thought about the risks involved. This discussion helps make the move on Iran the smart part of the new strategy.

Bill Clinton and Secretary of

State Madeleine Albright now welcome improved relations with Tehran. They seek to encourage peaceful change there. In his year in office, President Mohammed Khatami has shown enough survivability and flexibility to merit this nuanced hedged approach.

But strategic shifts are not about good intentions alone. Theoretically at least, setting out a road map for rapprochement with Iran should be accompanied by U.S. rallying of European nations to take a tougher stand on Iraq so that Saddam Hussein's dangerous regime can be squeezed more tightly.

That is not what is happening, in part because the administration is not willing to expose its Iraq policy and take risks, as it does on Iran. A decision by

Mr. Clinton in late April to avoid open confrontation with Iraq over UN weapons inspections is still largely unacknowledged by the administration.

Mr. Clinton has in fact moved toward reaching a tacit truce with Saddam if the Iraqi appears to behave.

Shift on Iran, and drift on Iraq — these developments are already having repercussions in international relations and in U.S. politics, where Mr. Clinton is under growing Republican fire for showing weakness toward the two rogue regimes.

More importantly, Mr. Clinton's actions on Iraq risk undermining the authority and confidence of UN weapons inspectors who have made a determined effort to expose the Iraqi security units charged

with hiding Saddam's chemical and biological weapons, equipment and documents.

Richard Butler, the chief UN weapons inspector, shows increasing signs of feeling that he can no longer count on strong, unequivocal support from Washington and London, which had backed him in previous diplomatic confrontations in the Security Council with Iraq, Russia and France, or from his boss, Secretary-General Kofi Annan.

Mr. Butler's desperation surfaced last week in Baghdad, where he initially went out of his way to praise Iraq for cooperation and promise that dismantlement and the lifting of economic sanctions could happen within a few months. Once outside Iraq, he withdrew the praise that France and Russia have been hammering on him to state.

Mr. Butler's puzzling performance added to the demoralization already felt within his UN Special Commission, which has the responsibility for finding and destroying prohibited weapons of mass destruction and long-range missiles in Iraq.

Some of Mr. Butler's inspectors reportedly feel that the unit's highly effective Concealment Investigation Team is in danger of being disbanded, after being rendered ineffective by a lack of active support following Mr. Annan's deal on future inspections with Saddam in Baghdad in February.

The anti-concealment team was formed in August 1997 to

track the secret service units

charged with hiding the terror

weapons that Baghdad has not

accounted for. The most recent

important discovery in March

turned up warhead fragments

containing the VX nerve gas.

Finding these weapons means finding and confronting those who protect them. The team's progress on this front triggered last autumn's confrontation and expulsion of U.S. inspectors by Saddam.

Mr. Clinton talked tough before the Annan deal. But in April he decided to withdraw one of the two U.S. aircraft carriers that Congress had funded to stay in the Gulf through September.

And Mr. Butler and his aides

have read reports that Mr. Clinton decided at the same time not to automatically retaliate against Saddam if the inspectors are kicked out again. This leaves people who have risked their necks to contain Iraq perched on the wavering limb of policy change.

While the president leisurely

travels through China on a nine-day ceremonial trip that gains

little for the United States and

gives a lot to his Communist

boss, the fight could be fatal for the commission's effectiveness, for

the hopes of truly containing

Saddam and for the quest for

stability in the Gulf.

The Washington Post

ing Whom?

the automatic assumption is that the United States is the center of the universe, around which other countries orbit, seeking favor. China, historically, has considered itself a "middle kingdom," to which others are tributary. China's future depends not only on their political and economic development, but also on what the Chinese themselves think of the human experience, which is the past. Mr. Jiang's reformist views will depend on the Chinese history in his classic *On the Nature of Chinese Relations with Europe*. The Chinese, like the Franks, are one eye. All the other views of the world are blind.

Clinton's confidence for a better future, therefore, in a measure, reflects the view of the Chinese.

Clinton's confidence for a better future, therefore, in a measure, reflects the view of the Chinese.

The Poor Are Unwanted In the 'Secessionist Age'

By George F. Will

WASHINGTON — As the president of the world's most powerful nation visits the world's most populous nation, note that the future is being defined by disintegrative forces, worldwide.

In Europe in 1500 there were approximately 500 political entities. By the beginning of the 19th century there were a few dozen. The unifications of Italy and Germany further reduced the number. By 1920 Europe had 23 states with 18,000 kilometers (11,200 miles) of borders. But by 1994 it had 50 states and 40,000 kilometers of borders. In the four decades after 1945, United Nations membership tripled.

These figures lead Pascal Boniface, a French scholar, to say we live in "the secessionist age," in which secession — Kosovo is just the instance du jour — is the principal threat to peace.

Writing in "The Proliferation of States" in The Washington Quarterly, Mr. Boniface argues that whereas war used to be the hammer that pounded nations together, now war often is an instrument for dismantlement.

The disintegration of the Soviet Union and Yugoslavia, and Slovakia's divorce from the Czech Republic, exemplify various forms of contemporary fissuring. Mr. Boniface sees the potential for further fracturing of nations almost everywhere, from Yemen to Iraq.

In Indonesia, some of the 180 million people from 500 tribal groups spread over 18,000 islands are apt to aspire to constitute the next Hong Kong or Singapore — a small, independent economic prodigy. Indian Sikhs on the border with Pakistan seek an independent Khalistan. There is Gurkha secessionism in the Himalayan foothills and Islamic separation in Kashmir.

Much splintering is ascribed to the recrudescence, in the post-Cold War thaw, of religious and ethnic impulses. Marx and others wrongly argued that such impulses were preindustrial forces that lost their salience and were supplanted by economic motives in the industrial era. But if Mr. Boniface is right, it may be time to revive respect for economic interpretations of historic changes.

He argues that one reason for the proliferation of nations is the pursuit of prosperity through

The Washington Post

BOOKS

NOW IT'S TIME TO SAY GOODBYE

By Dale Peck. 458 pages. \$25. Farrar, Straus & Giroux.

Reviewed by Michiko Kakutani

DALE PECK'S harrowing new novel, "Now It's Time to Say Goodbye," is that rare thing: an utterly gripping thriller — crammed full of suspense, Gothic horror and often startling violence — and a highly sophisticated piece of literary legerdemain. This dark, ferocious book reads like "Twin Peaks" and "Pulp Fiction" combined with "Days of Heaven" and "To Kill a Mockingbird," with bits of Flannery O'Connor thrown in for good measure. It also stands as a thoroughly original and persuasive work of art, this immensely talented young writer's most ambitious novel yet.

The story Peck tells in "Goodbye" is the story of a small Kansas town called Galatea, which is all black. Presiding over both is the landowner and moneylender Rosemary Krebs, a sort of female version of the evil banker in "It's a Wonderful Life." For years, the two villages have coexisted uneasily, haunted by the memory of the lynching of Eric Johnson 10 years before and united by a mutual reluctance to talk about the past.

Into this tiny, closed community step Colin Nieman, a wealthy novelist, and his lover Justin Tyme (who appeared in Peck's earlier novels as the writer "John"). The two men, feeling from the toll the AIDS epidemic has taken on their friends in New York and conflicted about their own disintegrating relationship, have impulsively moved to Galatea after visiting a friend of a friend who persuades them to buy a big old house near town. Colin, who has been suffering from writer's block, sees Galatea as raw material that can be turned into a novel. Justin — who may be Peck's stand-in as the author of this novel — says he just wants to keep from being abandoned by Colin.

One month into their stay, something terrible happens: Justin is escorting Lucy Robinson home from a dance when the two of them are jumped by a man clad in Colin's coat and shoes. The man, wearing a white Klan-like hood, overpowers Justin, leaving him crumpled on the ground, then viciously rapes

BRIDGE

By Alan Truscott

A long and successful run — perhaps the longest in the history of bridge administration — came to an end recently.

Josephine Stayman, invariably known as Tubby, resigned after 34 years in charge of the annual U.J.A.-Federation Charity Game, the world's most successful such effort. Her final production generated more than \$75,000, yet another record in the series.

Her efficient deputy, Marci Miron, will be in charge in the future.

On the diagrammed deal, sitting

South, she opposed a rel-

ative, Robert Stayman, who was West. He is the president of the Greater New York Bridge Association and is the son of a cousin of her late husband, Sam, known worldwide because of the Stayman convention.

North opened two hearts, a weak two-bid that many would not choose.

East naturally overcalled two spades and was headed for trouble. South should not doubt have doubled for penalties, but passed, fearing an escape into diamonds.

A reopening double by North would still have landed East in two spades doubled, in which he might have escaped for down one. Instead North bid three diamonds, a poor

decision, and South played three no-trump.

This contract seems to have chances, but the defense was on its toes.

On a spade lead, and a heart discard from dummy, East correctly played the 10, not the ace.

South won with the king, and found it inconvenient to take a club finesse.

If East had the king then the heart ace would certainly be well placed, so she made the tricky lead of the club 10. Unfortunately for her, West grabbed his king and fed the heart jack, giving the defense five tricks for down one.

The East player, Barry Rigel, was ready with an appropriate corruption of a line

OPINION/LETTERS



LETTERS TO THE EDITOR

Suharto's Legacy

Regarding "Suharto's Record: Flawed but Nonetheless Admirable" (Opinion, May 27) by Robert Elegant:

Mr. Elegant, citing "decades of great accomplishment" and glossing over decades of authoritarian excesses, says that the overall record of President Suharto's administration is "admirable" and that "he has left Indonesia with the physical and the psychological basis for much greater modern growth."

In fact, he has left a shattered and all but paralyzed economy, possibly facing meltdown, with a staggering public and private foreign debt of more than \$130 billion. Indonesia's banking system is on the verge of collapse (it was described recently by Moody's as "broadly insolvent"); the large majority of companies listed on the Jakarta Stock Exchange are technically bankrupt. Unemployment is projected at about 15.5 million; negative growth is estimated at 10 percent, with a collapsing currency that has lost 70 percent of its value in a year; food shortages are critical, and soaring inflation may reach 80 percent this year.

Not to mention the legacy of a nondemocratic and tightly managed political structure, a tradition of institutionalized corruption, a

new meaning to "family values," and a social fabric torn apart by ethnic tension.

HARVEY A. LEVE
Jakarta.

Mr. Suharto survived the attempts to kidnap and murder several Indonesian generals in 1965 because he was not a target. But the officer who clambered over his garden wall, escaping the assassins, was General Abdul Haris Nasution, not General Suharto.

CARMEL BUDJARJO
Thornton Heath, England.

The writer is director of the Indonesia Human Rights Campaign.

On Independent Kosovo

Willem van Eekelen's plea for an independent Kosovo (Letters, June 19) beautifully demonstrates the double standards and moral bankruptcy of the Western governments and the media that unquestioningly parrot their prejudices.

When Yugoslavia started to unravel in the early 1990s, the Krajina Serbs were in a similar position to that of the Kosovo Albanians — they possessed a distinct territory, were the dominant ethnic group and were the victims of oppression.

Yet far from supporting their right to autonomy, especially in light of the appalling atrocities the Krajina Serbs had suffered in World War II, Western organizations and politicians demanded they stay in Croatia, referred to them as "fascists" and actively assisted in their eventual ethnic cleansing.

It's curious how the right to political and cultural self-determination applies only to non-Serbs.

RORY YEOMANS
London.

Mr. van Eekelen, a Dutch senator and former defense minister, wrote in his letter that "the legal argument could be circumvented by recognizing Kosovo." I was stunned to read that someone who is supposed to defend the law, national and international, suggests "circumventing" it.

M. COURTY
Paris.

I am an American citizen.

RAINER ESSLER
Avignon, France.

Not a European

By adding "Europeans" to the last paragraph of my letter (Letters, June 18), you denationalized me, much to the surprise of my friends.

I am an American citizen.

Photo taken at the Warwick Champs Elysees, Paris.

A CIA Story of Two Men Who Came Through It

By Donald P. Gregg

NEW YORK — At dawn on Nov. 29, 1952, an unmarked CIA transport plane clawed its way into a gray and hostile sky. Taking off from a base in South Korea, the aircraft was on a mission to drop supplies to a team of Chinese agents in Manchuria who had radioed for help, saying that they had lost most of their food when they had been parachuted into hostile territory a few days earlier.

Aboard the rescue plane were Jack Downey and Dick Fecteau.

MEANWHILE

They were helping to run a CIA agent-infiltration program, designed to report on the flow of Chinese Communist men and material into the Korean Peninsula, where furious fighting still raged along what later became the Demilitarized Zone.

The mission was doomed from the outset. The agent team had been captured by the Chinese and forced to send the SOS message. The drop zone was ringed by Chinese anti-aircraft guns, and the plane was quickly shot down. The American pilots were killed, but Mr. Downey and Mr. Fecteau survived the crash to be tried and convicted by the Chinese for espionage.

Mr. Downey, judged by the Chinese to be the senior survivor, was sentenced to life imprisonment. He was 22 years old, 18 months out of Yale. Mr. Fecteau received a 20-year sentence.

I knew Mr. Downey well, having gone through a six-month paramilitary training program with him. He was one of the most popular and respected members of our 40-man group. Another CIA colleague and I had dinner with him the night before his ill-fated mission. We both remember his excitement and enthusiasm about what lay ahead. For the next 20 years, I thought often of Mr. Downey and Mr. Fecteau, trapped like flies in amber.

The U.S. dialogue with China was extremely limited in those days, even after an armistice agreement in Korea. Periodic meetings in Warsaw were the only chance for direct contacts with Chinese officials. Mr. Downey and Mr. Fecteau were always on the agenda, but remained in captivity. Mr. Fecteau eventually was set free after serving 19 years of his

Photo taken at the Warwick Champs Elysees, Paris.

Yesterday, you were still just a businessman...

of Robert Burns: "Stayman's inhumanity to Stayman."

NORTH

♦ K 97552

♦ A J 94

♦ Q 42

WEST (D)

♦ 53

♦ J 109

♦ Q 7632

♦ 5

♦ K 7

♦ 953

EAST

♦ K 9476

♦ V A Q 4

♦ J 10876

SOUTH

♦ K Q 942

♦ J 3

♦ K 10

♦ A J 1086

East and West were vulnerable.

The bidding:

West North East South

Pass 2 0 2 0

Pass 1 0 Pass 2 N.T.

Pass Pass Pass

West led the spade five.

FRANCE: Paris, Avignon, Bordeaux, Cannes, Eze sur Mer, Gordes, Lyon, Saint-Malo, Saint-Remy de Provence, Strasbourg, Toulouse, Vichy - SWITZERLAND: Geneva - USA: New York, Denver, San Francisco, Seattle, Philadelphia, Washington DC - GREAT-BRITAIN: London, Edinburgh, Kidderminster, Leeds, Uckfield - BELGIUM: Brussels, Genval, Waterloo - COSTA RICA: San Jose - KOREA: Seoul - NEW ZEALAND: Queenstown - SOUTH AFRICA: Johannesburg - FIJI ISLANDS: Viti Levu / Coral Coast

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sian Dilemma and There Is No Plan!

There is a fear in the White House that the Internet may be growing away. The Internet is growing more trouble in public. The Treasury Secretary Robert Rubin has made a speech that the Internet is a threat to the economy. The White House could be gear up to develop a plan to deal with the Internet.

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TribTech

A selection of companies around the world offering international Internet calls that require nothing more than a regular telephone. The number of countries and cities covered by most operators is growing rapidly.

EUROPE

- 1 www.rsilcom.fi (358) 9 42 42 00
A Finnish provider of Internet telephone.
- 2 www.portal.com; (49) 30-97 50 58 43
A German operator with gateways in Germany, the United States, Spain and China.
- 3 www.incomtel.ru 7(095)725-2300
A Russian-based Internet phone company specializing in calls from Moscow to the United States, Canada and Israel.
- 4 www.deltathree.com
1-888-DELTA-94 or (1)212-588-3670 in the U.S. or 0800 074 0404 in Britain. One of the world's largest Internet phone companies, Delta Three uses a calling card system and has connections to European countries and others around the world.
- 5 www.idt.net (1) 888-373-4211
One of the largest Internet phone companies.
- 6 www.jxta.com (1) 800-984-9253
An Internet phone call wholesaler with more than 120 U.S. cities hooked up.

MIDDLE EAST

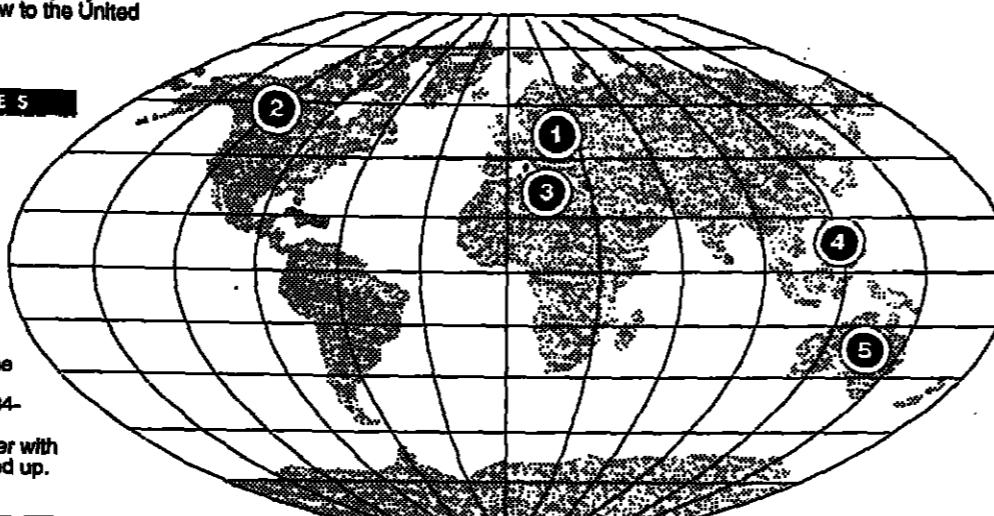
- 1 www.edicom.com (1)203-373-7580
(In the U.S.)
A Lebanon-based company that specializes in calls between Canada, the United States and Lebanon.

ASIA

- 1 www.attiens.co.jp
(81) 3-5581-5750
An AT&T joint venture, the Japanese-based Jens offers outgoing calls from numerous cities in Japan to 57 gateways worldwide.
- 2 www.telematrix.co.jp
(81) 3-3462-7136
A Japanese-based provider with gateways in Japan, the U.S. and Korea.
- 3 www.vipcalling.com
A service provider with gateways in China, Taiwan, South Korea and United States.
- 4 www.globalvoice.com.sg; (65) 2958105
A Singapore-based provider building a network covering Southeast Asia.

- 5 www.ozeamobile.aust.com 132 884 or (02) 9453-2400
An Australian operator with gateways between New Zealand, the United States, the United Kingdom, the Netherlands, Hong Kong and Japan.

International Herald Tribune



Phone Via Internet — and Forget the Computer

By Thomas Crampton
International Herald Tribune

BANGKOK — Available now from a telephone near you: cut-rate international calls via the Internet, no computer required.

Until recently only computer hobbyists could coax their computers into acting like telephones. Now, thanks to rapid advances in technology, Internet telephone calls can be made by anyone with a standard touch-tone phone.

The explosive growth of the phenomenon is attracting major telecommunications companies, thousands of subscribers and a handful of pirates who sail along the fringes of the law.

Like many Internet developments, these telephone services made their debut in the United States, where they offer transcontinental calls for a few cents per minute, a fraction of the standard rate.

In the past year, however, Internet phone companies have sprung up on almost every continent, making rapid inroads into established markets despite their lower quality.

Internet-based calls frequently have annoying echoes, long delays and reduced voice clarity compared to regular connections. But for many consumers, the tremendous cost savings — often more than 50 percent — outweigh the inconvenience. And the technology is rapidly improving.

Internet phone calls cross international borders in a form identical to normal Internet data. For consumers, Internet phone service works the same way as standard international calling cards. Subscribers use any touch-tone telephone to dial a local access number, followed by an identity code and the number they wish to reach.

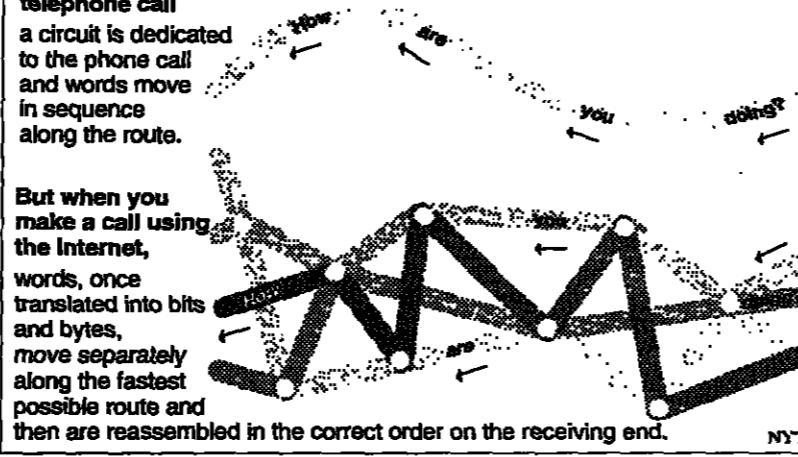
Behind the scenes, at the local access number, the call is bounced off the traditional phone network and into the Internet by a so-called gateway computer. In the destination city, the call is brought back out of the Internet and onto the standard phone network by the operator's corresponding gateway.

For voice to travel via Internet, the gateway computers translate standard analog telephone signals into digital bits, much like music on a compact disc.

So by traveling most of the distance as data in the Internet, international calls can effectively be made for the price of two local phone calls.

But cheap calls are just one advantage of using the Internet for telephone calls, according to industry advocates.

Different Paths to the Same Point



The technology used in standard telephone systems was developed 40 years ago and is based on old concepts," said Jeff Pulver, president of Pulver.com, an Internet telephone consultant.

"Internet's efficient digital platform opens the way for many value-added services, like cheap conference calls, videoconferencing and people sharing documents while talking," Mr. Pulver said.

The digital method of transmission will eventually allow an Internet phone to leapfrog the traditional telephone in quality, according to those in the industry.

"Internet phone calls use the most advanced all-digital equipment, so it is like listening to music on a compact disc," said Darryl Green, president and chief executive officer of the AT&T Jems Corp.

In the last year, "we have already improved our technology enough so that with blind tests, people can no longer tell the difference between an Internet call and a regular call."

To create an Internet telephone company, operators simply set up gateway computers in separate cities to bring calls on and off the Internet. An off-the-shelf personal computer can readily serve as a gateway, but quality improves dramatically with specialized equipment.

Because of the low overhead, countries with high-cost overseas calls and recently deregulated telecommunications industries have experienced dramatic shifts of consumers who are moving into Internet-based phone services.

In 10 months, an Internet telephone service in Japan offered by the AT&T

joint venture Jems claims to have grabbed 1 percent of the country's \$4.5 billion outgoing international call market on an investment of less than \$10 million.

Deregulated markets will help Internet phone operators swallow 36 percent of the international call market within five years, threatening the core revenue and profits of traditional telephone operators, according to a report released this month by the Cambridge-based consultancy Analysys.

The unregulated days of Internet telephones may, however, be numbered. The United States government is now considering a levy on Internet phone operators similar to that paid by traditional long-distance carriers.

But even in heavily regulated countries, where international calls are controlled by state-sanctioned monopolies, Internet telephone calling is making its debut.

This month, Singapore Telecom, which holds the monopoly on outgoing international calls until the year 2000, began testing its BudgetCall service, which routes calls via the Internet to 18 countries and undercuts the company's regular international call rate by 30 percent.

Despite the fact that it is technically illegal to sell international calls from many countries, independent operators are already using technology to circumvent the law.

Two companies recently founded in Singapore — RVNet and Global Voice — are building clandestine networks linking the tightly regulated telecommunications networks of Southeast Asia.

The legal status of Internet phone is very gray in most Asian countries, so for

the time being, the company avoids advertising very much in local papers, said James Cai, who is the managing director of Global Voice.

Mr. Cai claims that 2,000 subscribers have signed on in the two months since the service was launched in Singapore.

"But for us, outside of Singapore, we don't worry about local laws. We leave that to franchise holders who join our network."

Bobby Ngor, general manager of RVNet, said: "It may not be fully legal, but the telecom companies are unable to stop the calls going through the Internet, and we will eat into their international dialing revenue."

Mr. Cai plans to build the Global Voice network by selling his gateways as franchises to target various ethnic groups around Asia, especially Japanese living overseas.

For about \$10,000, franchise holders buy a personal computer configured to work as a Global Voice network gateway. Once plugged in, calls can be made through the Internet to any city with a fellow franchise holder.

Global Voice ensures that calls go to the right gateway, monitors the pattern of calls and settles billing differences between franchise holders if calls are made more in one direction than another.

To start with, Global Voice recommends that franchise holders undercut the standard international rates by 50 percent. "When more Internet phone services are offered, we will have to lower the price again," Mr. Cai said.

Internet telephone technology is advancing so quickly that even today's model of phone service provider could change dramatically within the next few years. While Global Voice and RVNet are building their networks around self-developed technology, U.S. modem giant 3Com Corp. will soon begin selling an upgrade to their popular servers that allows any Internet provider to become a phone company.

"For just a few hundred dollars' upgrade, any Internet service provider that uses our servers will be able to send telephone calls over the Internet," said Ken Jensen, account development manager at 3Com.

"Since we have a 40 percent market share among Internet service providers and our equipment is being used in almost every country, all an Internet provider needs to do is agree how they will sell the phone calls between one another, and they can be an international phone company," he said.

our work lives."

Even Microsoft, no enemy of connectivity, encourages some of its managers to unplug — temporarily. Andrea Tevlin, a consultant at the huge software company says she and some of her senior co-workers are better managers for logging off e-mail occasionally, for four or five days at a time.

"In a work context, when you pull yourself off-line, you have more time to converse with people, think conceptually, and think about how to make the human system I'm operating in operate differently," she said.

Turning off the technology is also an issue in the realm of recreation. Nothing beats a toy with lots of buttons to push. Mr. McArthur is amused by the gizmos he sees boaters and sailors buying, such as phones and high frequency radios that e-mail transmissions to the middle of the ocean. "This stuff coming in seems to be defeating the whole point of going out on your boat and getting away," he said. "People don't want to get away."

But Mr. McArthur, the philosopher, said humans must do more than unplug, and what they do while unplugged is more important than the length of time they spend away from technology.

"Without rebooting our awareness, it doesn't matter whether we're unplugged or not," he said via e-mail, his preferred medium. "Technology renews our nervous system. It gives us a pace and tempo. We need to actively plug ourselves into the operating system of earth and sky, mountain and river, inhale and exhale."

ALT / Commentary

To Get Time to Think, Try Turning Off Your E-mail

By Tina Kelley
New York Times Service

Each summer Bayya Friedman and her husband, Peter Kahn Jr., both professors at Colby College, take their daughter Zoe and move from Maine to a 670-acre (268-hectare) outpost without electricity northeast of San Francisco. They use solar-powered computers and get to a phone only during twice-a-month trips to town.

If people who are used to reaching her regularly and electronically become frustrated with her absence from the Net, Ms. Friedman advises them to write her an e-mail, print it out, put it in an envelope, and put a stamp on it.

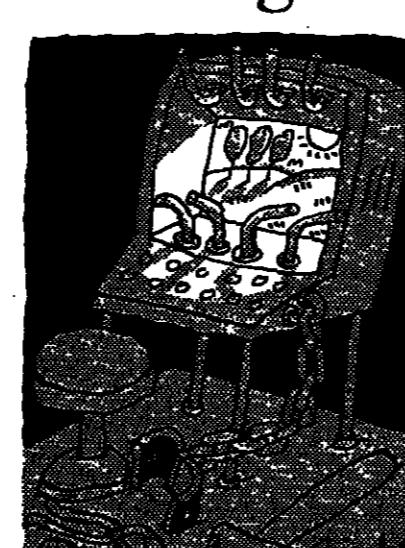
"In the summer, each communication I get I really read," said Ms. Friedman, who teaches computer science, as she sat in a coffee shop in Oakland, California, as the family prepared to head off into the woods.

"It's an opportunity for focus, and that's harder to achieve when you are so accessible," she said.

Yes, it is possible to be too plugged in. Studies show that electronic mail is slowing down the workplace, and cell phones keep you wired around the world. Weren't most people secretly pleased last month when the malfunctioning Galaxy 4 satellite stifled 50 million pagers, with all the serendipity of a snow day?

Even with well-advanced advances of technology like slicker upgrades and faster modems, the acceleration of information has become troubling.

"I'm wondering what the saturation



erated lists and TV advertisements. A Southern California philosopher, Michael Heim, worries that the recent mania for information erodes the human capacity for significance. "With a mind-set fixed on information, our attention span shortens," he wrote in "The Metaphysics of Virtual Reality" (Oxford University Press, 1993). "We collect fragments. We become mentally poorer in overall meaning."

"The assumption is you need to be connected in the way technology allows you to be connected: 24 hours a day, wherever you are," Ms. Friedman said.

"But it's not clear that that enhances the quality of our lives or the productivity of

our work lives."

Even Microsoft, no enemy of connectivity, encourages some of its managers to unplug — temporarily. Andrea Tevlin, a consultant at the huge software company says she and some of her senior co-workers are better managers for logging off e-mail occasionally, for four or five days at a time.

"In a work context, when you pull

yourself off-line, you have more time to

converse with people, think conceptually,

and think about how to make the

human system I'm operating in operate

differently," she said.

Turning off the technology is also an

issue in the realm of recreation. Nothing

beats a toy with lots of buttons to push.

Mr. McArthur is amused by the gizmos

he sees boaters and sailors buying,

such as phones and high frequency

radios that e-mail transmissions to the

NYSE

Wednesday's 4 P.M. Close

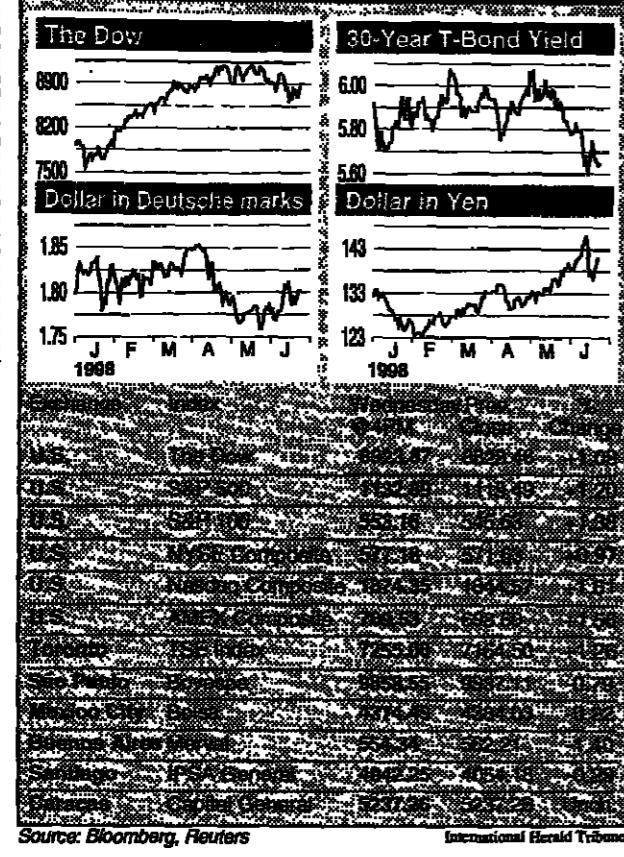
The 2,600 most traded stocks of the day.
Nonworldwide prices not reflecting late trades elsewhere.
The Associated Press.

72 Month
High Low Stock Div Yld PE 100% High Low
Low/Lated Chgs

	12 Month High Low Stock	Div Yld	PE	100% High	Low/Lated Chgs
3294 214 AAB	34 14 22 2176 250	24%	289	+7%	
3295 179 AABM	17 10 10 175 100	10%	100	+1%	
3296 224 AAC	75 70 70 75 70	10%	70	+1%	
3297 174 AACM	57 51 51 51 51	10%	51	+1%	
3298 174 AACM	57 51 51 51 51	10%	51	+1%	
3299 174 AACM	57 51 51 51 51	10%	51	+1%	
3300 174 AACM	57 51 51 51 51	10%	51	+1%	
3301 174 AACM	57 51 51 51 51	10%	51	+1%	
3302 174 AACM	57 51 51 51 51	10%	51	+1%	
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3404 174 AACM	57 51 51 51 51	10%	51	+1%	
3405 174 AACM	57 51 51 51 51	10%	51	+1%	
3406 174 AACM	57 51 51 51 51	10%	51	+1%	
3407 174 AACM	57 51 51 51 51	10%	51	+1%	
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3409 174 AACM	57 51 51 51 51	10%	51	+1%	

THE AMERICAS

Investor's America



Microsoft Ruling Leaves U.S. With Legal Work Cut Out

By Elizabeth Corcoran
Washington Post Service

WASHINGTON — Microsoft Corp. has won an important victory in its antitrust battle that will force Justice Department lawyers to rework their broader legal strategy against the software developer, observers said.

A federal appeals court struck down a judge's order that would have required Microsoft to let computer makers sell its Windows 95 operating system separately from its Internet Explorer browser software.

The ruling applied only to the Justice Department's limited case, filed last year, that Microsoft violated a 1995 consent decree when it bundled Windows 95 with the Internet software. But legal experts said the bigger case against Microsoft's next version, Windows 98, which bundles the operating system even more tightly with the browser, will need rethinking.

The ruling "is a slam dunk for Microsoft and big trouble for

Justice," said Robert Litan, a scholar with the Brookings Institution and formerly with the Justice Department's antitrust division. "The most contentious, highest-stakes part of the case will certainly be affected by this ruling."

William Kovacic, a professor at George Mason University School of Law, said: "I don't think it's a fatal obstacle. But it took a case that the Justice Department had less than a 50-50 chance of winning on the day it was filed and made it more like 1 in 4 or 5 in 5."

Windows 98 goes on sale Thursday. The antitrust case is due to be heard in court in September before U.S. District Court Judge Thomas Penfield Jackson, whose order was struck down Tuesday.

Windows software is used in about 90 percent of personal computers. A key contention in the Justice Department's Windows 98 case is that by requiring computer users to include the Internet product with it, Microsoft is illegally trying

to expand a monopoly in Windows into another field.

The overturned a preliminary injunction issued by Judge Jackson in December. He had required that Microsoft give computer makers the option of installing its Internet Explorer software when installing the Windows 95 operating system. He issued the injunction to prevent undue harm to competitors in the months before the September court date.

The government had contended that Microsoft violated a 1995 consent decree by tying together two previously separate products.

The three-judge appeals panel lifted the injunction on a technicality, saying Judge Jackson had not given Microsoft adequate opportunity to

fight the order. The opinion was written by Judge Stephen Williams on behalf of himself and Judge A. Raymond Randolph. Judge Patricia Wald concurred with part of their ruling but disagreed with other parts.

"We think that an 'integrated product' is most reasonably understood as a product that combines functionalities (which may also be marketed separately and operated together) in a way that offers advantages unavailable if the functionalities are bought separately and combined by the purchaser," the court said.

That language, while cloaked in legalisms, is similar to arguments that Microsoft has made in defending the value to consumers of an

integrated electronic desktop that combines browser and operating system in a seamless package.

But Judge Wald wrote in her dissent that the decision set too low the bar for showing that a company inappropriately tied together two products. "In effect, the majority has fashioned a broad exemption from the antitrust laws for operating system design," she wrote.

Microsoft's critics took solace in the fact that the court's ruling centers on interpreting the consent decree, rather than the broader antitrust issues raised in the Windows 98 case. The government can still argue that antitrust law restricts how a company like Microsoft with dominant market share can bundle its products.

Frenzy to Sell Yen' Goes On

Compiled by Our Staff From Dispatches

NEW YORK — The dollar climbed sharply against the yen on Wednesday, buoyed by warnings from top U.S. Treasury officials that Japan's economic situation remains a source of "considerable concern" and that Japan must move quickly on economic reforms.

The deputy U.S. Treasury secretary, Lawrence Summers, said that last week's joint U.S.-Japan in-

FOREIGN EXCHANGE

tervention to lift the yen had created a "window of opportunity" for Japan to act, but warned that the window "won't always be there."

"Summers continues to talk about how serious the crisis in Japan is and about how we need actions, not words," said Benjamin Strans, senior foreign exchange dealer at Bank Julius Baer. "It continues to feed the frenzy to sell yen."

"The markets will do what markets always do," he said. "They will test the resolve of policymakers and push until somebody pushes back. So far nobody's pushing back."

Currency traders remain skeptical about whether Japan will take the necessary actions to aid its banking sector and economy.

"Until we see another round of intervention, this dollar will just continue to go higher than the yen,"

said Hugh Walsh, senior currency dealer at Commerzbank.

The dollar was quoted at 4 P.M. at 141.225 yen, up from 139.35, in late trading on Tuesday.

Economic statistics did not work in the yen's favor. Japan reported that vehicle output tumbled in May and that department store sales fell for the 13th of the last 14 months.

"These are not the signs of a robust economy," said Bruce Giannattasio, a currency trader at Mellon Bank in Pittsburgh. "The country's going down the tubes. Money is pouring out of Japan, and nobody wants to be in yen."

The dollar ended slightly higher against the Deutsche mark as subdued German inflation data suggested that the Bundesbank was unlikely to raise German rates anytime soon. German May import prices fell a much larger than expected 0.6 percent, versus the 0.1 percent drop the market was expecting.

The dollar was quoted at 1.8030 Deutsche marks, up from 1.8018 DM.

Against other major currencies, the dollar was also at 1.5086 Swiss francs, up from 1.5050 francs, and at 6.0465 French francs, up from 6.0395 francs.

The pound was at \$1.6683, up from \$1.6678.

(Bridge News, Bloomberg)

Very briefly:

• Maidstone Financial Inc., a defunct New York brokerage, and four senior executives from Maidstone and another brokerage agreed to pay \$14.8 million to settle charges they defrauded hundreds of investors in three initial public offerings.

• Netscape Communications Corp. is still the No. 1 Internet browser company, according to an International Data Corp. study. Netscape held 50.5 percent of the browser market in 1997. Microsoft had 39.1 percent.

• Venezuela's central bank said it would introduce bank notes of 50,000 bolivars (\$92) — 10 times the biggest note in circulation — after a decade of inflation.

• Fidelity Investments Inc., the world's biggest mutual fund company, is planning to introduce its first funds in Argentina.

• The House of Representatives passed a bill that would bar state and local governments from imposing new Internet taxes for three years.

• Intel Corp., manufacturer of microprocessors that power 80 percent of personal computers worldwide, is expected to delay the release of its 450NX chip set, the newest version of the company's Pentium II technology.

Bloomberg, N.Y.T.

Brazilians May Strike at GM Plant

Bloomberg News

SAO PAULO — General Motors Corp.'s Brazilian workers may walk off the job to demonstrate support for striking autoworkers in Flint, Michigan, a union leader said Wednesday. Like the U.S. workers, the Brazilian workers oppose GM's move to shift more production to parts makers who pay their workers less. They may decide to hold a spontaneous strike Friday, said Marcos Vilasboas, metalworkers' union director at GM's factory in Sao Jose de Campos.

At a GM factory under construction in southern Brazil, between 80 percent and 90 percent of production will come from outside suppliers, he said.

The Trib Index									
		Level		Change		% change		Year to date	
World Index	193.49	+1.12	+0.58	+12.42					
Regional Indexes									
Asia/Pacific	80.03	-0.51	-0.63	-16.70					
Europe	231.81	+1.92	+0.84	+20.08					
N. America	253.94	+1.81	+0.72	+17.57					
S. America	128.77	-0.88	-0.68	-15.58					
Industrial Indexes									
Capital goods	248.35	+2.36	+0.96	+20.23					
Consumer goods	222.25	+2.14	+0.93	+10.74					
Energy	203.62	+2.07	+1.00	+7.52					
Finance	136.30	+0.25	+0.18	+10.85					
Miscellaneous	146.59	+1.84	+1.25	-0.85					
Raw Materials	203.92	+2.54	+1.26	+21.93					
Service	203.20	-0.47	-0.23	+16.57					
Utilities	169.25	-0.94	-0.55	+1.43					

The International Herald Tribune's World Stock Index tracks the U.S. dollar value of 260 internationally investable stocks from 25 countries.

Compiled by Bloomberg News.

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Compiled by Bloomberg News.

The Tribune's World Stock Index tracks the U.S. dollar value

Consumers Give Spain a Lift

GDP Rises 3.7% in Quarter, Its Strongest Rate in 7 Years

Compiled by Our Staff From Dispatches

MADRID.—The Spanish economy expanded 3.7 percent in the first quarter of 1998 from a year ago, its strongest showing in more than seven years, as unexpectedly strong domestic demand drove healthy growth.

The National Statistic Institute said Wednesday that the gross domestic product also rose 0.9 percent in the first quarter compared to the fourth quarter of 1997.

That is the highest year-on-year growth rate since the second quarter of 1990, when GDP expanded 3.9 percent.

The data "show that the economy is on a path of sustainable growth and that it has been steadily growing, almost for the third year in a row," said Rodrigo Rato, minister of the economy.

The pace of expansion accelerated from 3.6 percent in the fourth quarter of 1997, but it failed to match the average expectation of most economists to see growth of 3.8 percent.

"I was expecting a 3.8 percent year-on-year figure and the data is slightly lower," said Leticia Alvarez, an economist at J.P. Morgan in Madrid.

"But domestic demand is proving stronger than expected, with private consumption, gross fixed capital formation and imports all

higher than initially thought," she said.

Domestic demand rose 4.1 percent after increasing 3.7 percent in the fourth quarter, with private consumption expanding by 3.5 percent.

Faster economic growth is vital if Spain is going to cut its unemployment, which, at 19.28 percent of the work force, is the highest in the European Union, even though it is a six-year low for Spain.

Creating jobs also is a top priority for the government, now that inflation and public deficits have been pushed down with falling interest rates.

Analysts said that the data confirmed that the Spanish economy would grow strongly this year. Spain may outperform European growth for a second consecutive year.

"We recently revised up our forecast for 1998 to 4.0 percent year-on-year versus a previous 3.8 percent," said Juan Perez-Campanero, an economist at Santander.

"Our story is similar to that of other countries in Europe, with strong domestic demand and weak external contribution," Mr. Perez-Campanero said. "It's a feature all around the continent."

Germany's economy is expected to grow by up to 3 percent this year

(Reuters, Bloomberg)

GEC and Siemens Plan To End 2 Joint Ventures

Compiled by Our Staff From Dispatches

LONDON.—General Electric Co. of Britain and Siemens AG of Germany agreed Wednesday to dissolve two Britain-based telecommunications joint ventures in a transaction worth £700 million (\$1.17 billion) as they concentrate on different ends of the market.

Siemens will be paid £610 million in cash for its 40 percent stake in GPT, which makes telephone network switches. It will also receive GEC's 50 percent stake in Siemens

GEC Communication Systems Ltd., which designs corporate phone networks and video-conferencing systems.

The move will allow Siemens to focus on its private communications business, which designs phone systems for businesses and makes mobile phones.

The move fits two of GEC's aims: moving away from what the company's managing director, Lord Simpson, calls "a joint-venture culture" and expanding its telecommunications equipment business.

Analysts welcomed Siemens' decision to reorganize.

"In general this is a good move—strategically correct and very positive for Siemens," said Jochen Klusmann, analyst at Bank Julius Baer in Frankfurt.

Analysts say GEC needs to provide GPT with a clear strategy to compete against rivals such as Alcatel SA.

The joint venture "had problems because its stakeholders have not always been moving in the same direction," said Peter Thilo Hasler, analyst at Bayerische Vereinsbank AG in Munich. "A single parent might help the company get its research and development on a single track."

GEC shares rose 4 pence, to 481 pence. Siemens shares rose 2.75 Deutsche marks, to 111.65 DM (\$62.17).

GEC said it would merge GPT, Britain's largest telecommunications manufacturer, with Marconi SpA, to form Marconi Communications. The unit makes radio communications equipment for the Italian police and emergency services.

Marconi SpA's current managing director, Sandro Gualano, will be chairman of the unit. Mike Parton will be its managing director.

In the year ended March 1997, GPT made a pretax profit of £172 million on sales of £1.17 billion. Marconi SpA's sales were about £400 million in the same period.

Marconi Communications will continue to work with Siemens on developing digital communications technology, in which GPT describes itself as "a world leader."

Siemens also said that changes to the joint ventures would lead to a one-time gain of more than 100 million DM. (Bloomberg, Reuters)

Power Clash: 2 Executives Quit at EDF

Compiled by Our Staff From Dispatches

PARIS.—The top two executives of France's state-run electricity company resigned Wednesday at the request of the prime minister, the result of an increasingly public power struggle.

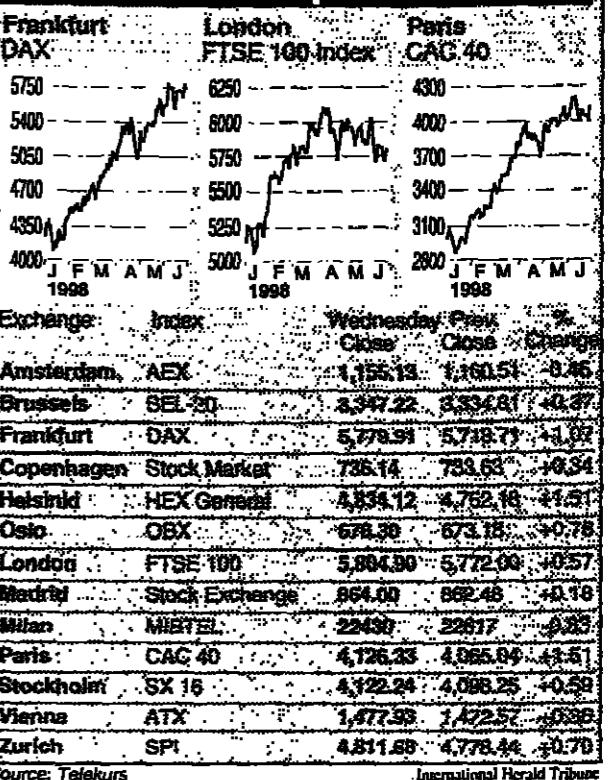
Electricite de France's chief executive, Edmond Alphandery, and his right-hand man, Pierre Daurès, had been told by the government in March to make peace. But in light of their lack of progress, the government decided to name a new chairman, the Finance Ministry said.

Defense Minister Alain Richard's chief of staff, Francois Roussey, a senior civil servant with no direct experience in the electric utilities industry, has been proposed as the next chairman, the government said. The French Cabinet is planning to name the successor at its weekly meeting July 1.

Mr. Alphandery, a conservative former finance minister, told French Radio on Wednesday that his problems with Mr. Daurès stemmed from the fact that although he was head of the organization, it was the government who chose his deputy and his team.

The conflict has paralyzed management of the state monopoly at a time when it was meant to be preparing for the opening of European markets to competition. (AP, AFP)

Investor's Europe



China Sets Campaign Against CD Pirates

By Seth Faison
New York Times Service

SHANGHAI — Accustomed to putting its best face forward for an important guest, China is cleaning itself up for President Bill Clinton's arrival on Thursday.

Not only are roads being repaved, buildings whitewashed and entrance ways decorated on countless routes where the president is expected to travel during his nine days in China, but the authorities are also cracking down on many of the illegal activities that are ordinarily tolerated these days, like the sale of pirated video and music compact disks.

The fight against piracy of software, music and movies, an issue that loomed large in American-Chinese relations a few years ago, has been pushed into the background and is unlikely to be raised seriously during Mr. Clinton's visit, even though it remains as rampant a problem as ever.

An explosion in the video compact disk industry in China in the last two years has created an enormous demand for cheap videos, and pirated versions have been openly advertised and sold in cities all over China.

"The boom in video compact disks — 'Titanic' was sold on Shanghai street corners for \$2, even before the film's theatrical release in the United States in December — seemed to signal a failure of a 1995 agreement between the United States and China that promised strict enforcement against both producers and sellers."

Charlene Barshefsky, the U.S. trade representative who negotiated the agreement in 1995, tried to deflect such concern when she met with reporters in Beijing last week. She expressed approval of Beijing's efforts to crack down on producers of illegally copied disks and cited a laundry list of numbers: 69 illegal producers shut down, 800 arrests, countless master tapes destroyed.

Ms. Barshefsky even argued that China had ceased to be a high-scale exporter of pirated goods, moving way down the list of offending countries. "We have a far bigger problem now with Italy," she said.

But industry experts who follow the situation closely say the only



PROZAC APPEAL — Richard Smith of Eli Lilly announcing Thursday in Beijing that the U.S. drugmaker would file an appeal to China's Supreme Court over a Beijing court ruling denying it a local patent for the anti-depressant drug Prozac.

real change is that the pirates, many of them Taiwan businessmen with histories of organized crime, have moved their operations from the Chinese mainland to Macao, the Portuguese colony scheduled to revert to Chinese rule in 1999. The pirates continue to export from Macao, both to Southeast Asia and even more into China, where demand remains the strongest.

The International Federation of Phonographic Industries, by far the best-informed among trade groups monitoring piracy in China, estimated that in the first half of this year an average of 500,000 illegally copied video compact disks were smuggled back into China from Macao each day, or roughly 15 million disks a month.

Video compact disks, the same size as audio compact disks, typically contain up to 70 minutes of a

movie, often requiring two disks for a Hollywood feature. In China, videocassettes are rapidly disappearing, and video compact disk players that cost about \$100 have become a staple of virtually any Chinese family with disposable income.

So while Chinese and American officials are each claiming victory in rooting out our pirates, more illegally copied material is on sale in China than ever before. And until the recent crackdown, temporary or not, it appeared as if the Chinese authorities had altogether abandoned efforts to stop the sale of illegal disks.

Until this month, that is. The current crackdown may wear off in a cycle, as previous crackdowns have, but last week the authorities in several Chinese cities brought out bulldozers to destroy millions of pirated video compact disks, in yet another effort to show they meant business.

The government-linked Development Bank of Singapore Ltd. re-

Singapore's Economy Poised to Brake Hard

Prime Minister Worries About Recession

By Michael Richardson
International Herald Tribune

SINGAPORE — In a move to prevent Singapore from sliding into recession, the government will announce measures Monday to help cut business costs, George Yeo, the information minister and second minister of trade and industry, said Wednesday.

After more than a decade of turbo-charged growth, Singapore's economy is braking sharply and may be heading for recession as the weakness of Japan's currency and economy deepens East Asia's woes.

Prime Minister Goh Chok Tong of Singapore warned recently that the economy was losing steam amid the recession and falling currencies of Japan and Singapore's Southeast Asian neighbors, especially Indonesia and Malaysia.

Significantly, Mr. Goh did not rule out recession in 1998 or 1999, as other Singaporean officials have done until now.

"However, strong our fundamentals, we cannot escape injury when we are in the path of the typhoon," he said. "The region is in recession. We must be prepared for slower growth this and next year."

The economy expanded by 7.8 percent in 1997, after adjustment for inflation. The government's official forecast of 1998 growth stands at 2.5 percent to 4.5 percent, although this is expected to be lowered Monday when Finance Minister Richard Hu announces the off-budget measures to aid business.

The government-linked Development Bank of Singapore Ltd. re-

cently cut its 1998 GDP forecast to between zero and 2 percent — below the Ministry of Trade and Industry's estimate.

Hardest hit sectors include the retail sector, tourism, construction and property.

A recent poll by Singapore's Sunday Times newspaper showed that the island-state may barely pull itself away from a recession this year, with an average forecast of only 1.5 percent growth given by 13 financial institutions.

"Singapore can't be seen in isolation anymore," said Dennis See, a fund manager at Pointworth Management Pte. "Most of its problems are external and beyond its control. There are two very huge problems in the region: one is North Asia, and the other is Indonesia."

The recession in Japan is of major concern to Singapore because the Japanese are leading investors and their market is Singapore's fourth-largest for exports.

Japan, with an economy that is more than twice as big as the rest of the East Asian economies combined, also has a major economic impact on the region, where it is a leading trading partner and the main source of investment, loans and aid.

Mr. Goh warned that if the yen continued to fall, it would put pressure on other currencies in the Asia-Pacific region, including those of China and the United States. "A second wave of currency depreciation and a consequential meltdown of Asia cannot be ruled out," he added.

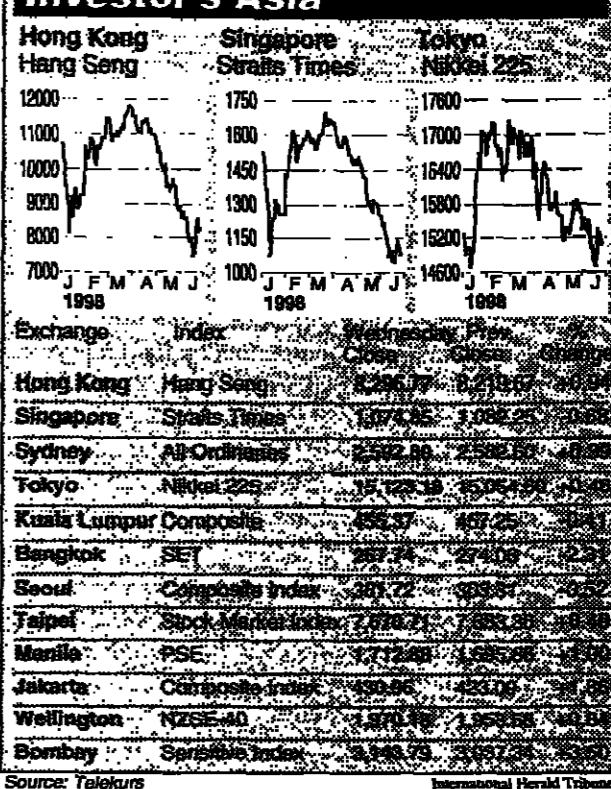
Indonesia and Malaysia are also major trading partners of Singapore. Indonesia is deep in recession; its economy is forecast to contract by at least 15 percent this year. Malaysia reported negative growth of 1.8 percent for the first quarter of 1998.

As a result, Singapore's retail industry is going through its worst slump ever. "Retailers dependent on the tourist trade and very high-end goods are badly hit," said The Ban Lian, president of the Singapore Retailers Association.

While the Singapore dollar is down against the U.S. dollar, it has appreciated substantially against the currencies of its neighbors.

Consumer spending accounts for over a quarter of the economy of Singapore, which receives more than 7 million tourists a year — double its 3.5 million population.

Investor's Asia



Source: Telekurs

International Herald Tribune

Very briefly:

• The U.S. trade representative, Charlene Barshefsky, said that Japan was a "stumbling block" at a meeting of trade ministers of the Asia Pacific Economic Cooperation forum, which ended Tuesday in Malaysia. Mrs. Barshefsky said Japan was reluctant to commit itself to the liberalization of trade in nine economic sectors in 1999. Tokyo finally agreed to the liberalization plan after ministers agreed to allow a certain amount of flexibility in implementation.

• Mitsubishi Motors Corp. said it was considering halting domestic production of its FTO and GTO/3000GT sports cars, as part of its efforts to reduce its number of vehicle platforms and cut costs.

• Mitsubishi Trust & Banking Co., acting on behalf of the Pension Fund Association, which represents about 1,900 Japanese corporate pension funds, wants Mitsubishi Motors Corp. to end severance payments to executives who resigned to take responsibility for the company's involvement in a racketeering scandal.

• Japan's vehicle output fell 19.7 percent in May from the same month the previous year, to 714,887 units, the Japan Automobile Manufacturers Association said. The drop in production was led by Nissan Motor Co. and Mitsubishi Motors Corp.

• Eisuke Sakakibara, Japan's deputy finance minister for international affairs, will keep his post as the ministry carries out its annual personnel changes, a ministry official said.

• Shenzhen Health Mineral Water Co. said it would take a 51 percent stake in Xili Co., a newly formed mineral water manufacturing joint venture with Danone Asia Pte, which will have a registered capital of 200 million yuan (\$24.2 million).

• Sumitomo Bank Ltd. said it would invest 15 billion yen (\$107.6 million) in a new computer system it developed with NEC Corp. to make its back-office work more efficient. The terminals will allow the bank to trim 300 clerks from its domestic branch offices and 400 people from its data-processing centers.

Reuters, Bloomberg, Bridge News, AFX

Clinging to Hope, Sanyo Plans for Worst

Bloomberg News

TOKYO — Sanyo Securities Co., an ailing medium-sized Japanese brokerage house, said Wednesday that it had abandoned restructuring efforts and planned to halt business by Aug. 31, while hanging its last hope on one remaining foreign prospective buyer.

One of 10 second-tier Japanese brokerages, Sanyo filed for court protection from creditors in November and has spent the past seven months seeking companies that could either provide funding or acquire its operations.

The brokerage's legal caretakers said they had decided to start the liquidation process, shuttering all branch offices and laying off most employees by the end of August, though adding they still await a favorable response from a foreign company that may save it.

"We haven't given up completely," said Akira Fujishima, a provisional trustee. "We're going to leave our window open for further negotiations."

He added there was one remaining foreign company that was still considering acquiring Sanyo's operations, including real estate owned by the brokerage's affiliates, but Mr. Fujishima declined to name the prospective buyer.

Sanyo Securities will shift its efforts from restructuring to liquidating its operations, the trustees said. It plans to return clients' assets and lay off all of its 858 employees by Aug. 31.

MONGOLIA: Consumers Learn That a Buying Boom Was a Bust

Continued from Page 13

for foreign consumer goods, the value of the country's exports collapsed due to falling prices for copper, gold and cashmere.

Largely attributed to Asia's economic slowdown, copper prices fell 23 percent in the first four months of this year.

Combined with increased overseas spending, the export slowdown sent Mongolia's trade balance spiraling into a deficit of \$72 million for the first four months of this month.

Opposition members of Parliament have alleged corruption in the deal, highlighting the bank's continued lending as well as the tight connections between the Golumb Bank's president and the prime minister's party.

At the same time, as Mongolians began trading tugriks

since May, propping up the currency at the twice-monthly foreign currency auctions, Mr. Batbayar said.

Reserves now stand at \$80 million, he added.

The falling copper prices are also slashing the already strained government budget.

The state-owned Erdenet Copper Corp. supplies nearly a quarter of the Mongolian government's revenue.

This year's budget was planned on a world copper price of \$2,100 per ton but the price has now fallen to nearly \$1,600.

Erdenet's difficulties have created a dangerous debt chain, Mr. Batbayar said, noting that the mining company has been unable to pay electricity its bills.

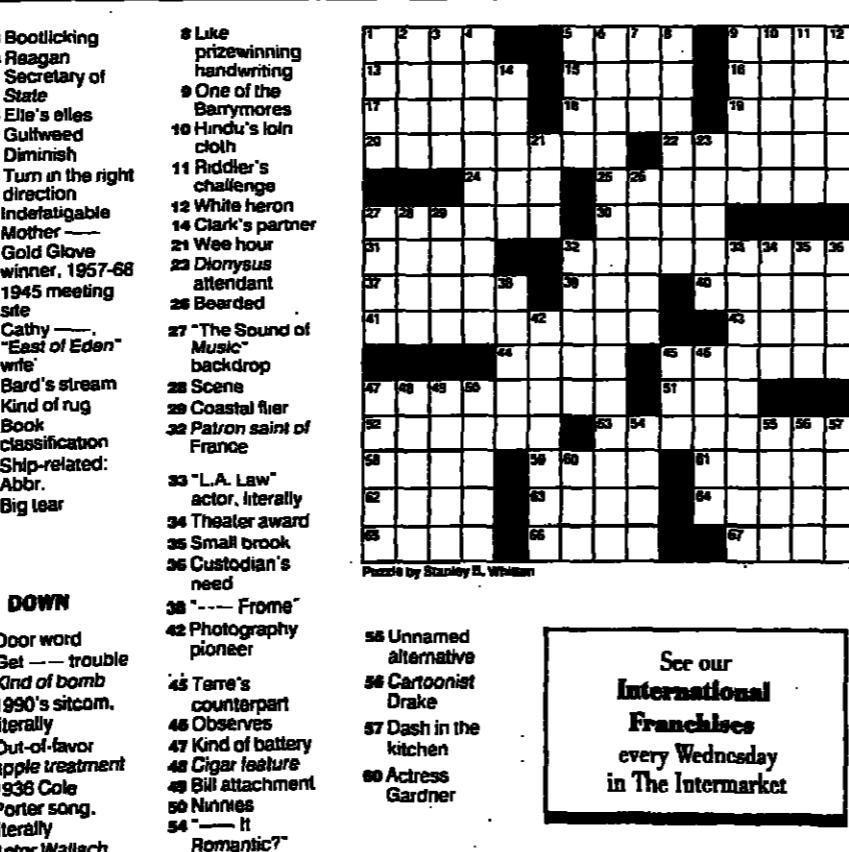
The company currently consumes approximately 30 percent of the country's total energy.

"We must privatize Erdenet soon because the state's budget should not depend on one company alone; it would be better to earn it collecting taxes," the finance minister said, adding that the sell-off would take place by the year 2000.

Despite the looming crisis, Mr. Batbayar remained optimistic about the progress of the Mongolian economy.

"Our foreign reserves were zero between 1990 and 1994, so to have nearly \$100 million now is quite an achievement," he said.

CROSSWORD



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In 1997, the business volume of the DGZ Group advanced by 6.0 percent to DM 119.0 billion. This growth stemmed primarily from increases in lending activities, securities business as well as money market operations.

BUSINESS YEAR 1997

DGZ: TRADITIONAL STRENGTHS GENERATE CONTINUED SUCCESS

Long-term refinancing rose by DM 3.3 billion to DM 83.8 billion, of which securitized liabilities accounted for DM 38.2 billion. In this context, our Jumbo Pfandbrief issues further diversified the Group's funding base. Moreover, long-term borrowing amounted to DM 25.6 billion, and

DGZ Group at a glance	1997	1996	+/- %
Total Assets	112,803	105,885	6.5
Due from Banks	54,629	47,777	14.3
Due from Non-bank Clients	35,160	36,056	-2.5
Deposits by Banks	51,643	47,410	8.9
Deposits by Non-bank Clients	19,706	19,733	-0.1
Own Funds	2,309	2,240	3.1
Net Interest and Commission Income, Trading Results	693	629	10.2
Administrative Expenses	194	225	-14.0
Operating Results	334	301	10.9
Taxes	235	198	18.4
Net Income	52	56	-6.9

A copy of our annual report is available upon request.



Deutsche Girozentrale
Deutsche Kommunalbank
Frankfurt am Main / Berlin

Herald Tribune

INTERNATIONAL

SPORTS

WORLD ROUNDUP

Jets Sign Testaverde

FOOTBALL The journeyman quarterback Vinny Testaverde has found a new home, signing Wednesday with the New York Jets. Neil O'Donnell, who had been the team's starting quarterback until midway through last season, was waived.

The Jets' coach and general manager, Bill Parcells, said the 34-year-old Testaverde would be given a shot at the starting job.

"Glen Foley has the benefit of the doubt," Parcells said, referring to the incumbent starter. "But if Vinny plays at a level which is clearly better, he would be the starter."

Testaverde signed a one-year contract with an option for another year. The deal will give him \$1.5 million this season with incentive clauses worth a potential \$3.5 million more, his agent, Mike Azarelli, said.

AP

A Strengthened Bid

FOOTBALL A potential ownership group for the Cleveland Browns featuring the former All-Pro Paul Warfield and Calvin Hill got a lift Wednesday when five local business leaders joined their effort to buy the expansion team.

A local real-estate developer, Howard Milstein, would be the dominant financial partner of the new Browns, who are slated to begin play in 1999. Warfield and Hill would lead the group's efforts to find a general manager and organize the Browns, which will replace the team that Art Modell moved to Baltimore after the 1995 season.

Warfield was the Browns' No. 1 draft choice in 1964, the year of their last NFL title. Hill, the father of Grant Hill of the NBA's Detroit Pistons, played for the Browns from 1978-81 after nine years with the Dallas Cowboys.

AP

Texas Hitters Break Out of Slump With 16-Run Burst

The Associated Press

The Texas Rangers brushed aside their offensive woes in a big way.

One night after getting shut out for the first time this season, the Rangers scored 11 runs in the fifth inning en route to a 16-5 victory over the Arizona Diamondbacks on Tuesday night.

"The hitters were in a slump, that's what everybody wanted to talk about last night," the Texas manager, Johnny

Caminiti, said.

BASEBALL ROUNDUP

Oates, said. "But over 162 games, this club will score runs."

The Rangers had scored three or fewer runs in four of their previous six games, including Monday night's 6-0 loss to the Diamondbacks. But they snapped out of it with their fifth-inning outburst, which included a three-run homer by Rusty Greer, a two-run double by Juan Gonzalez and a pair of RBI singles by Roberto Kelly.

The host Rangers sent 14 batters to the plate and had nine hits in the inning, matching the third-biggest total in franchise history.

Gonzalez increased his major league-leading RBI total to 91 and Kelly went 4-for-5 with three RBIs and scored four times. Ivan Rodriguez also went 4-for-5 and Will Clark had three RBIs for the Rangers.

Indians 5, Cubs 4 In Chicago, Cleveland rallied for two runs in the eighth on Travis Fryman's homer and Pat Borders' RBI single. Sammy Sosa, whose 17 homers in June are one shy of the major league mark for the most home runs in a month, went 0-for-5.

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World Cup

THURSDAY, JUNE 25, 1998

Paraguay Wins, Gains 2d Round

Weakened Nigerians Lose, But Finish Atop Group D

Compiled by Our Staff From Dispatches

TOULOUSE, France — Paraguay started quickly and finished strongly to beat a second-string Nigerian team, 3-1, Wednesday and secure a place in the second round of the World Cup.

Paraguay will play host France, which has won all three of its matches, in Lens on Sunday. Nigeria plays Denmark, runner-up to France in Group C, at the Stade de France in Saint Denis on the same day.

Paraguay had not scored a goal in its first two matches. It took 51 seconds to break that run.

Francisco Arce swung over a free kick from the right and, with the Nigerian defense sta-

injuries or suspensions, made seven changes to the side which beat Bulgaria 1-0 in the previous match.

Nwankwo Kanu, starting his first game, took over the captaincy from suspended skipper Uche Okechukwu, while Paraguay dropped midfielder Roberto Acuña and brought in Hugo Brizuela and Jose Cardozo up front.

Even so, the Nigerians dominated much of the first half and Chilavert, was kept busy, saving acrobatically from Sunday Oliseh's shot. Taribo West's header and Raheem Yekini's shot all the space of six minutes.

Paraguay started the second half on the attack and Rufai had to dive at the foot of the post to turn a shot from Hugo Brizuela round the post.

But Nigeria wasted a great chance to go ahead in the 57th minute when Yekini turned a defender and ran clear with only Chilavert to beat but too-poked tamely at the keeper.

Paraguay regained the lead two minutes later.

There seemed little danger when Carlos Paredes fed Benitez with a sideways pass. But the Nigerian defense allowed the Paraguayan midfielder far too much room to shoot and he powered a rising shot that brushed the fingers of the diving keeper Rufai on the way into the net.

The Paraguayans could have made it 3-1 in the 74th minute when Rufai ran out of his area and lost the ball as he tried to dribble around Jose Cardozo. The ball ran to Brizuela who had two defenders to beat but shot well wide of the net.

But the Paraguayans made sure five minutes from the end when Cardozo was left unmarked close to the Nigerian goal and spun to fire an angled shot inside the far post.

(AP, AP, Reuters)

PARAGUAY 3,

NIGERIA 1

tionary, Celso Ayala jumped unchallenged to beat goal-keeper Peter Rufai's attempt and head into an unguarded net.

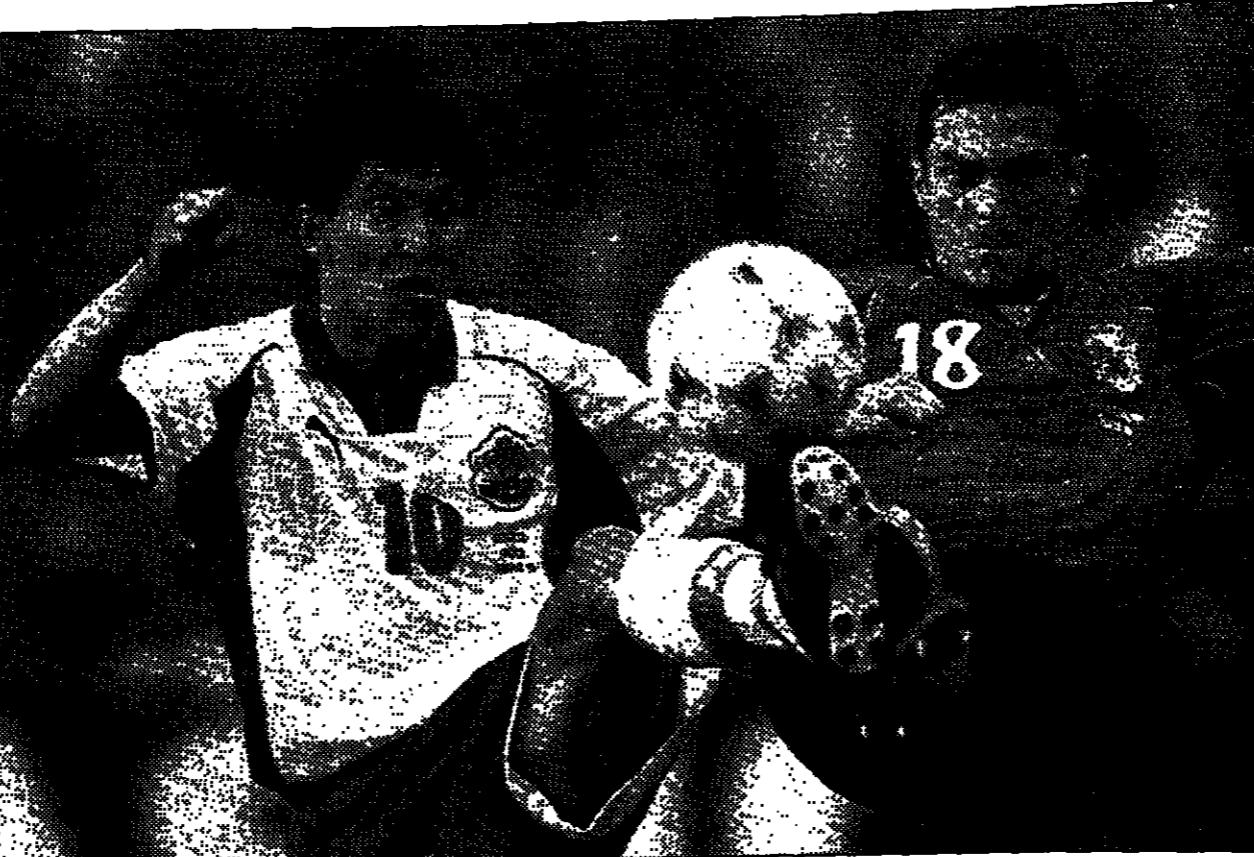
It was header was the fastest World Cup goal since Bryan Robson scored after 27 seconds for England against France in Spain in 1982.

It was the perfect start for a Paraguay team that started out second in Group D behind the already-qualified Nigerians and hoped to stay there and join them in round two.

Paraguay had also not let in a goal in its first two matches. That record lasted only 10 minutes longer.

Nwankwo Kanu slipped an elegant pass through to over-taking winger Tijani Babangida and the Ajax forward cut inside and found the unmarked Oruma who side-footed the ball past Jose Luis Chilavert, the Paraguayan goalkeeper.

Nigeria coach Bora Milutinovic, who had said he wanted to avoid incurring any



Krassimir Balakov of Bulgaria, left, and Guillermo Amor of Spain going toe-to-toe as they fight for the ball.

Spain Displays Its Power Too Late

Despite 6-1 Triumph Over Bulgaria, Team Is Eliminated From Cup

Compiled by Our Staff From Dispatches

LENS, France — Spain trounced Bulgaria, 6-1, on Wednesday for its first World Cup victory, but still failed to qualify for the next round because of Paraguay's victory in the parallel Group D against Nigeria.

Spain demonstrated speed and skill in its first two World Cup matches against Nigeria and Paraguay. It controlled possession for much of the game, although Bulgaria improved its performance in the midfield and on the attack in the second half.

Fernando Hierro converted a penalty in the sixth minute. He sent Bulgaria's goalkeeper, Zdravko Zdravkov, to his right by placing a shot into the opposite side of the net after a defender, Ivaylo Iordanov, brought down Luis Enrique and Andoni Zubizarreta and hitting the left post before the ball finally bounced into the net.

Twelve minutes later, Joseba Etxeberria raced down the right to cross to Luis Enrique, who beat two Bulgarian defenders to send the ball from 8 meters past the advancing Zdravkov into the far right side of the goal.

Spain pressed on with a series of

flowing attacks at a pace that Bulgaria's aging veterans could not match.

Bulgaria's star attackers, Hristo Stoichkov and Emil Kostadinov, were marked handily by Rafael Alkorta and

SPAIN 6, BULGARIA 1

Miguel Nadal, who allowed very little play to get past them.

Luis Enrique set up Spain's third goal on a fast break from the midfield in the 53rd minute, finding Francisco Morientes, who drilled it low from 14 meters into the goalkeeper's lefthand corner.

Three minutes later, Bulgaria made it 3-1 when Kostadinov swiveled around and fired from 12 meters out, squeezing the ball between Rafael Alkorta and Andoni Zubizarreta and hitting the left post before the ball finally bounced into the net.

In the 80th minute, Raul Gonzales flicked the ball to the unmarked Morientes at the edge of the area. The Real Madrid striker pushed it past the diving Zdravkov from 6 meters.

Nine minutes later, Zdravkov elbowed the ball in after a header by Kiko

Narvaez bounced off the crossbar.

Spain made it 6-1 three minutes into injury time, when Kiko took the ball down from a cross from the left, then turned and shot it between Zdravkov's legs.

But by that time there was no joy among the Spanish players. They were aware that Paraguay had just beaten Nigeria, 3-1, thus qualifying for the next phase instead of the third-placed Spaniards.

Bulgaria's best opportunity came on a fast break in the 34th minute, when Stoichkov heeled the ball to Luboslav Penev, whose shot was blocked by Zubizarreta. Stoichkov pounced on the rebound but his shot was headed away by Nada.

It was Stoichkov's final significant action in a World Cup match. He was taken off at half time by coach Hristo Bonev, who sent on Ilian Iliev in place of the 32-year-old veteran.

The last team to score six goals in the World Cup was Russia in a 1954 match against Cameroon. Like Spain, Russia was also eliminated from that year's competition.

(AP, Reuters, AFP)

WORLD CUP BRIEFS

Police Investigate 2 Germans

French authorities placed two Germans under formal investigation, a step shy of charging them over the beating of a gendarme, Daniel Nivel, into a coma.

The men — Markus Warnecke and Steffen Karl Elscheiner — have denied the allegations stemming from an attack after Sunday's Germany-Yugoslavia match in Lens.

French police said Wednesday they had arrested an Austrian suspected of having taken photographs of the attack on Nivel. Police said the 17-year-old was identified by an Austrian hooligan "spotters" at the Stade de France in Paris during Italy's match against Austria on Tuesday.

The man, described as a "hooligan groupie," is said to follow German hooligans around and to have shot two rolls of film of the attack on Nivel. Some were published in the German newspaper Bild.

(AP, AFP, Reuters)

Foul: Contested World Cup Calls Finish Morocco and Cameroon

Continued from Page 1

The foul came in the 58th minute, when the Hungarian referee Laszlo Vagner decided that Patrick Mboma had pushed Ronald Fuentes just before Francois Omam Biyick put the ball in the net.

Biyick said Wednesday that his team had been the victim of a plot. We were robbed, he said. "The Europeans wouldn't accept a Cameroon victory."

Jacques Songo'o, Cameroon's veteran goalkeeper, who like Biyick is unlikely to appear in another World Cup, said he found it hard to accept the team's elimination. "After what happened to us and then that imaginary penalty for Norway, it makes you think that perhaps African countries aren't supposed to win the World Cup," he said.

"Perhaps the 2002 tournament should just be for European and South American sides because no one else stands a chance," he added.

Le Roy said he had received messages from all over Africa.

"A government minister called from Mali, the head of the Senegalese soccer

federation called, people phoned from Ivory Coast and Burkina Faso, all with the same message, Africa feels it has been cheated," Le Roy said.

Keith Cooper, the federation's chief spokesman, said Wednesday that FIFA remained pleased with the overall level of refereeing in the tournament, which has been marked by controversial calls on fouls and expulsions.

"Ironically it was not so much a case of red and yellow cards as a matter of two of the decisions taken," he said.

"The standard remains very, very high," he said. "If there were two errors — and I don't say that there were — out of all the games played so far, this is a very low error rate."

"We are confident the referees take their decisions in good faith and those decisions are definitive," he said.

Later Wednesday, Sepp Blatter, the FIFA President, implicitly undercut his referees by calling for a change in their status. Referees are currently part-timers or amateurs. "We must change the referees," said Blatter. "We have to have professional referees."

"All round the world we have pro-

fessional leagues. Everyone is professional except the most important man on the field," he said.

Le Roy said he had talked with fellow Frenchman Michel.

"I suggested Morocco and Cameroon should play a friendly match without any referees," Le Roy said with a bitter smile.

(AP, AFP, Reuters)

■ Threats in Cameroon

Thongs of Cameroon soccer fans attacked vehicles and businesses owned by white expatriates Wednesday in retaliation for what they described as a racist, anti-African plot by World Cup officials, the Associated Press reported from Yaounde, Cameroon.

No injuries were reported.

The attacks accompanied Cameroonian government condemnation of officiating in the World Cup after Cameroon was eliminated from the tournament Tuesday. Several cars, including one with diplomatic license plates, were damaged and a number of people were threatened by crowds of university students shouting anti-white slogans in the streets of Yaounde.

The injustice of it was shared by most, not all, in the stadium. But, on a night when Cameroon also felt cheated of a goal and of the progress Africa deserves, the implication of racism is unwarranted.

No, Estefan Bahamontes, the referee in Marseille, was not dishonest. He was incompetent. Before his whistle for the penalty, he had erroneously shown two yellow cards. He booked Oyvind Leonhardsen for a perfectly fair challenge and showed yellow when it should have been red to Erik Mykland for a dangerously high, late kick on Roberto Carlos.

This referee, ostensibly from Colorado where he is an investment analyst in his day job, speaks Persian as a mother tongue, English and Spanish as acquired languages. He sounds as though he ought to have some idea of the world and some notion of what his misdeed has done to Morocco.

FIFA, however, defends him — in a fashion. "If there were two errors — and I don't say that there were — out of all the games played so far," said Keith Cooper, FIFA's spokesman. "this is a very low error rate. FIFA is satisfied with the level of refereeing at this World Cup."

The consequences of sending small nations, from Africa or anywhere else, home disgruntled over the state of fair play should concern those whom Africa helped vote into power.

The bride of Marseille may not be weeping. Others are.

Rob Hughes is Sports Correspondent of The Times of London

WORLD CUP SCOREBOARD

FIRST ROUND

GROUP A

GROUP B

GROUP C

GROUP D

GROUP E

GROUP F

GROUP G

GROUP H

GROUP I

GROUP J

GROUP K

GROUP L

GROUP M

GROUP N

GROUP O

GROUP P

GROUP Q

GROUP R

GROUP S

GROUP T

GROUP U

GROUP V

GROUP W

GROUP X

GROUP Y

GROUP Z

GROUP AA

GROUP BB

GROUP CC

GROUP DD

GROUP EE

GROUP FF

GROUP GG

GROUP HH

GROUP II

GROUP JJ

GROUP KK

GROUP LL

GROUP MM

GROUP NN

GROUP OO

GROUP PP

GROUP QQ

GROUP RR

GROUP SS

GROUP TT

GROUP UU

GROUP VV

GROUP WW

GROUP XX

